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SOVIET AND WESTERN TRADE WITH CHINA

Peking has secured from the Soviet Union an additional instalment of economic assistance valued at 2,500 million rubles (£227 million sterling). A few days after the new Sino-Soviet trade agreement was signed the British government announced that it had approved the export to China of 60 British tractors which are to be tested under Chinese conditions. Moscow's assistance is not a gift but will be paid for through trade procedures; the Chinese Communists' interest in Western equipment does not mean a change in the USSR's dominant position in China's foreign trade.

The USSR had already agreed to design and equip 156 Chinese industrial projects; now the total is to be raised to 211, with most of the 55 new projects to produce capital goods. As before, investment in agriculture and consumers' goods will come from domestic sources. The Sino-Soviet communique gave few details but stated that the additional projects include metallurgical, machine building, synthetic fibre, plastics, synthetic liquid fuel, and electrical and wireless engineering plants. Assistance will also be given to Chinese aeronautical research institutes, and the SU will contribute to China's extensive program of geological exploration. No dates of completion are given, and the new projects are not related to China's schedule of five-year plans. Many of the original 156 Soviet-aided projects are not to be completed until 1960 or 1962; this must also be true of most of the new projects. Some at least may be schemes which the Chinese had planned to carry out without direct Soviet assistance but presumably many others are new and constitute a net addition to China's industrialization program.

The total value of the new Soviet assistance is large, reflecting the steady improvement in China's political bargaining position which has taken place since Stalin's death. Is the assistance really new? Earlier published loans and grants to China totalled only 2,120 million rubles, and Western experts have wondered at the discrepancy between these figures and the apparent scale of Soviet aid to China. The agreement of April 7 may have simply revealed arrangements which have been in force for some time. This revelation of Soviet generosity was timed to coincide with the two-day visit to Peking of Anastas I. Mikoyan, first vice-chairman of the council of ministers of the USSR and long the chief of Soviet trade. The "People's Daily" has however recently valued earlier Soviet aid at 5,600 million rubles, implying that the new agreement involves new funds.

Moscow's unwillingness to guarantee adequate external assistance was one reason why the first five-year plan, which began in 1953, was not published in detailed form until summer 1955. To be sure, it took some time for the officials in Peking to gather information about their economy, decide what was needed, and complete the extremely complicated business of drafting a workable plan. But Soviet economic aid to China during Stalin's lifetime was limited, and it was not until September 1953 that both sides approved the scheme of providing key industrial projects with Soviet equipment and direct Soviet technical assistance. The number of projects receiving support, originally 141, was raised to 156 in October 1954 to mark Mr. Khrushchev's visit to Peking.

Russian offers to other Asian nations make it easier for Peking to demand more from the SU. Mr. Mikoyan had already visited Pakistan, India, Burma and North Vietnam before reaching Peking, and he stopped off in Outer Mongolia after he left China. During this trip, which illustrates Russia's rapidly-increasing importance in Asian trade, Mr. Mikoyan made generous offers of support for India's second five-year plan, and the Russians must have felt it necessary to show the Chinese that they had not been forgotten.

The nature of Russia's assistance is more important than the volume, for China will receive goods and services which the Chinese will not be able to supply themselves for many years to come. This should give additional confidence to the Communist planners who may now feel that their decisions to speed up the collectivization of agriculture and the socialization of private business were not as reckless as they seemed. But 55 additional projects will add to the demand for transport, technicians, skilled workers, grain, and many other things which are already scarce in China and which the SU will not provide.

The sale of sixty tractors is encouraging to Western businessmen interested in more trade with China, particularly so when the Chinese say that larger orders will follow if the first machines are satisfactory. The figure of 1,400,000 tractors has been mentioned; if true an encouraging addition to any country's exports. China's commitment to pay for Soviet aid through trade channels is depressing news. The embargo is the principal barrier to Western manufacturers but it is doubtful that China could raise enough foreign exchange to pay for 140,000 tractors, let alone over a million. China's capacity to export is relatively small, and this sets the principal long-term limit to Chinese trade. Other Communist countries already take 80% of China's trade, and the new agreement indicates that this will continue. Presumably China will pay off the agreement over a rather long period of time; the SU and Eastern Europe already receive about all the traditional Chinese exports they can use. Russia will continue to get the pick of China's exports while western and Japanese businessmen must be content with the rest.

The tractor deal adroitly exploits the embargo: a tempting offer which embarrasses and separates the Western powers but costs the Communists very little and commits them to nothing. It is quite certain however that the British machines will really be put on test; the Chinese are carrying on a broad program of agricultural experimentation. One cannot say whether the tests will result in further orders for British tractors or in the incorporation of successful features in machines which the Chinese import from Russia or make themselves.

It is also a gesture to the Chinese people and to the world that the Communists are devoting every effort to the development of agriculture. Until last summer Peking treated the peasants as poor cousins, politically backward, told to produce more every year but given little money to do it with. Last July Mao Tse-tung ordered the party to take another look. The emphasis was on the social and political implications of small-peasant farming, and the rush into collectives was decided upon. But it is also party dogma that the productivity of the agricultural producers' coopera-

tives is much greater than that of individual farming and it is now claimed that China's agricultural production can be doubled in twelve years.

Mao made it clear that heavy industry would still be the heart of China's economic plans, and he argued at length that the goal of mechanization, while not abandoned, would not be reached for many years, while collectivization could be completed without much change in the capital stocks of Chinese farmers. This is still basic policy but during the past few months Peking has also provided the peasants with more money, more tools, and more fertilizer. The state has granted peasant loans worth 2,500 million yuan (about £368 million sterling) double the figure for last year. Local industry has been called upon to increase the production of wheeled plows and other agricultural tools, and there has been an increase in the import of fertilizer as well as in domestic output. All this however remains on a relatively small scale.

Can China use the tractors? The technical problems are formidable, particularly in paddy land. The Communists recently announced that modified wheeled and crawler tractors had been used successfully in Kuangtung ricefields, but their efficiency is doubtful. Great benefits are expected from collectivization, which will create large fields by uniting China's characteristic small plots of land and eliminating boundary strips and unnecessary paths. This is significant in north and northeast China where dry farming is the rule, the land is flat, and several thousand tractors are already in use on large state farms. Tractors are also being used to open up wasteland, which would seem to be their most valuable use in China.

Do tractors make economic sense? The greatest needs of Chinese agriculture are to increase the arable land and raise the productivity of land already under cultivation. Machinery can help with the first but its usual effect is to increase the productivity of labor, not that of the land. It is well worth-while in the UK, Canada and the US, where labor is expensive, but in China there is already too much labor. Why increase the capitalization of the rural sector which has the greatest surplus of labor? Investment in more fertilizer factories would seem a sounder solution, but the Chinese do not give this a prominent position. Inevitably, tractors replace men; where will they go?

With industrialization, they will in time find jobs in the cities, but this will take many years and the communists admit that urban unemployment persists. One must conclude that the insistence on replacing intensive hand agriculture with extensive mechanized agriculture is a result of dogma and unimaginative imitation of the USSR.

The Communists may find that their long-range plans for mechanization create more problems than they solve, but there is no doubt that China could use and pay for at least several tens of thousands of tractors. Some of them may come from the West but the April 7 trade agreement suggests again that the Chinese Communists will not quickly abandon their close economic ties with the USSR which is, from their point of view, the more reliable supplier.

— Norris Smith

BRITAIN AND THE KREMLIN

Many besides Britons would like to know what has been passing in the minds of the Asian peoples as they viewed the more or less triumphal—and certainly popular—progress of M. Malenkov through the cities and industries of Great Britain. In Communist Asia especially it accords so ill with the hymns of hate on which they have been tutored both by their own and their Russian mentors that they must all be somewhat bewildered. They have had plenty of other things to bewilder them too—some of them far more "penetrating" than this almost old-fashioned Anglo-Russian rapprochement. Some of them have no doubt stillled any apprehensions or suspicions by the comforting thought that the two Soviet travelling statesmen who said so many things (welcome to them and unknd to us) about the imperialists during their tour of India were merely trying to drive a wedge between Britain and the United States. Only the more far-sighted who have read history as well as Marxist tracts realise that if a landslide can occur in Asia another can occur elsewhere. After all, Britain, the United States and the Soviet Union were fighting allies in the last war. Indeed but for Stalin they might even have been a little more than that.

The very resurgence of Asia's multi-millions demands a fundamental consideration of all factors of high policy in the West. It may be regarded as certain that some of the people in the Kremlin understand this and are preparing for possible alternatives in basic external policy. Malenkov himself, in one of his last utterances, laid emphasis on the assertion that Moscow is seeking nothing so drastic (or so futile, it may be added) as to turn Britain and the U.S. against one another but to win the friendship of both. It is to be doubted whether many in the Kremlin would go all that way with him as yet. But the time will and must come when they will. And it may be questioned whether the attitude of unyielding refusal to compromise over Formosa by both Peking and Washington is consistent with the potentialities of great progress in disarmament, in the atomic questions, and in diplomacy generally which are coming to be regarded as really possible in the West.

There are so many pacts and compacts littering the path of postwar history that too often they are dismissed as if they did not exist. Those who have to ponder on the propriety of some material change in their general approach to world issues—and they include all the major nations of Asia—should not forget the existence of the Washington Declaration. There is a fundamental difference between the Communists and the rest of the world though seldom is it that this difference is commented upon. The Declaration of Washington does try to explain this difference and much of its importance belongs to this. The heart of the Declaration is the affirmation of the belief which all hold in the West: that the State should exist for the benefit of the individual, not that the individual should exist for the benefit of the State. If you believe that the State is supreme, you are in the end bound to deny the existence of the inherent rights of man, and that is the position of the Soviet Union both in theory and in practice. It is now being exposed to new assault from front and rear, arising out of the degradation of Stalin. If the myth of the infallibility of the All-Wise goes, what security lies in the myth of the infallibility of the Politburo, or the Centre, even of the Party itself, when all it demands is precisely based on this assumption? As the Declaration of Washington points out, it is to aggrandise the Soviet Communist State that in the last few years many millions of people

of different blood, religions and traditions have been forcibly incorporated in the Soviet Union. In the words of the Declaration, the Communist rulers have openly expressed their intention of extending the practice of Communism till it encompasses the whole world.

The worship of the State is foreign not only to the Western way of life but it is entirely foreign also to the Oriental way of life. The true instincts lying behind the massive efforts to industrialise and to create a better life for the peasant masses are of that humane description which also animate the great social reformers of the West. In the Soviet Union, and to a certain extent in China also, the complex of power has been added. It may be a natural deviation for nations and peoples who have long been the butt and byplay of heedless intruders but when the humiliations of the flesh have been avenged, as most of them have been by now, the spirit and the motive of change have to be recalled. The scale of values of the Washington Declaration are of that permanent order which illuminates all history. Ideologically therefore we stand apart. It does not mean co-existence is impossible though competitive co-existence cannot but be without its dangers. Moscow now says it wants something more and something better—it wants close co-operation and "harmony" between Britain and the Soviet Union as the "two sentinels of peace." It is not impossible that the sense of basic evolution which so many have derived from recent events in the Soviet Union may be propelling the Soviet leaders or at least the anti-Stalin wing thereof in a direction much nearer our own concepts than those of Stalin—nearer even than those of Lenin, though his ideas did admit of considerable freedom of expression and of controversy within the privileged ranks of the regime.

What has to be understood in Asia no less than elsewhere is that Britain is not looking for new friends to displace the old and tried but as negotiator for the free world to explore the principal issues between it and the Kremlin. Britain acts as the most flexible and diplomatically experienced of the major allies of the U.S. It is a dual role very much in keeping with the view which the British Government takes of its relationships with the Soviet Union and the United States. It is in fact the interplay of these relationships which will make the meeting with Premier Bulganin and Party Chief Khrushchev so interesting. The Conservative record against Russian imperialism is as good as that of any major party in the two Anglo-Saxon countries. But there is also, with allegiance to the Atlantic alliance and resolute opposition to Communism, the traditional British reliance on diplomacy as a method of improving a bad if not a menacing situation. Tradition in this case is reinforced by necessity. War would devastate all taking part in it; it might be disastrous for a small, concentrated, industrial country like Britain.

If the Russian response is promising, there may be another chance for a "summit" conference in which the Big Four could take part and perhaps, still later, a conference which, like that at Washington after the First World War, could settle all the outstanding issues in the Far East and the Pacific as well. The Americans evidently understand the basic motives animating British policy. That is why there has been not a little sympathy, and an almost complete absence of even captious criticism, of this "fraternisation" which has ended the era of Molotov and his eternal negative. Bulganin and Khrushchev may be more anxious to rival or eclipse Malenkov's personal triumph with the

LIME PRODUCTION ON PING CHAU

By L. Berry, B.Sc.

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An interesting example of the way in which the comparatively meagre local natural resources have been turned to industry, is the small scale lime production that is carried on in several outlying localities in the Colony. The main concentration is on Ping Chau Island off the east coast of Lantau, where a former group of five kilns has now been reduced to three, located close to one another on the south-west of the island (Fig. 1).

The geology of Hongkong has determined that while many of the common rocks contain some lime bearing minerals, only very minor economic deposits have been found and these have long since been worked out. Thus in a colony where lime is needed for building, industry and agriculture, most of the raw materials have to be imported. This is normally done by one or two large firms which supply most of our needs. However the possibility of using, on a small scale, the wealth of coral and shell remains that are found in our waters was seized over thirty years ago by enterprising local businessmen, and since then the lime kilns have found a local market for their produce. Coral normally grows only in clear warm water and so is restricted to certain areas, though there seems to be no published account of its distribution off the South China coast, and in fact its local abundant growth is a little surprising.

One of the areas where boulders and fragments of coral are frequently found on beaches and at the base of cliffs, is around the north-eastern shores of Lantau and on the nearby islands, and the Ping Chau industry is built up on this supply. Every large storm provides a natural renewal of this material so that little need be obtained from under the sea. Also local fishermen have little difficulty in filling their sampans with a load of shelly mud which they scoop up from the shallow waters.* This can be sold to the kilns in Ping Chau for HK\$ 1 per

Acknowledgments:

Many thanks are due to Mrs. Choung Leung Hop Tay, Mr. Abbas and Mr. Lau Ku Chau for information on the kilns and to the workers on the island for their friendly co-operation.

* Borings in the harbour have proved a layer of silt and shells twenty feet thick forming the sea floor, probably corresponding with that from which the lime kilns are supplied.

people but their opportunities for a more resounding triumph are greater. They can, if they will, set external policy running on lines as different as internal policy since the Great Denunciation of Stalin. And this could well be the groundwork of that further change if the Soviet leaders can bring to it the same courage Khrushchev showed in his speech to the secret session of the Party Congress.

250-300 catties while the purer coral costs HK\$ 1 per 200 catties, providing a small but welcome addition to the fishermen's income. On the present scale of production it appears that there is little danger of the supply of raw material running out.

The untreated coral and shells are brought to the kilns in the collector's boat and dumped in a compound in front

LIME INDUSTRY ON PING CHAU

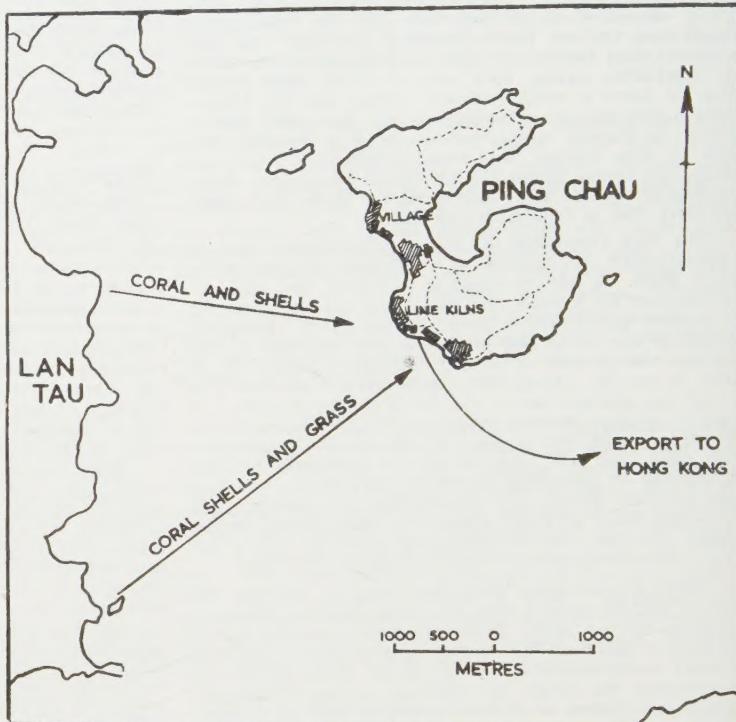


Fig. 1

of the buildings, the two grades being kept separate. The kiln is a long half-open shed with a brick wall at the rear and sides and a passageway down the centre separates the sifting bins to the rear from the furnace on the open side. The long furnace is built under a series of compartments, open to the sky, in which the lime is burnt. When burning is started the compartments are filled with coral or shells and the furnace stacked with grass and small scrub cut from the hillside. A diesel engine at one end of the kiln provides a strong draught of air, and keeps the grass burning fiercely, and once warmed up the furnace is kept going for eight hours mainly with grass but also with cinders and any other combustible waste.

When the fires are let out the cooled material is sifted, the fine lime into the rear bin and the coarser fragments onto a large waste heap. The lime is usually bagged by hand and then stored awaiting transport, while the residue

THE CURRENCY PROBLEM IN EARLY HONGKONG

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The Hongkong mint was proposed in 1862 by Sir Hercules Robinson, governor of the colony 1859 to 1865, as a means of bringing order into a complicated currency situation which had existed since the early days. This complication had arisen because of a conflict between the theory and practice of colonial administration. By an Act of 1825, the currency of the United Kingdom was held to be legal tender in all the dominions of the crown; in practice, local legislatures were allowed to assume control over local currency, subject to the agreement of the Secretary of State. Further,

is sometimes made into rough 'bricks' merely by compaction. These are mainly used locally and even when sold very little return is realised on this by-product. The remaining material is thrown onto the foreshore and by wave action is built up into a small protecting beach. The three kilns on Ping Chau produce an average of about 11,000 piculs (1 picul = 133 lbs) of lime per month, though they are capable of turning out nearly double that amount. Each firm has a small nucleus of permanent staff, normally local folk most of whom have been working on the kilns for many years, while about 120 part-time workers are used when work is available. The permanent employees are paid monthly, earning sums ranging between \$30 and \$200, with food and accommodation provided, but the others compete under piece work conditions, as small teams with variable wage rates. In this way the industry has become an important facet of the economy of Ping Chau, providing permanent income for some fifty people, and extra cash for many other families either working part-time or supplying some of the raw materials.

Unfortunately two of the kilns on the island have had to close down in the past few years, and the remaining three are said to be working at a low margin of profit. The main reason for this is the low price of the imported material which makes competition difficult and also the comparatively small scale production which has a limited range of buyers. However it is just possible that the forthcoming development of nearby Lantau may give a much needed boost to the industry with a reduction in the buyers transportation costs.

The location of the industry on Ping Chau was not entirely accidental, although thirty years ago this was a rather remote fishing village. It was located where coral and shells were readily accessible, where cheap flat land could be obtained, and where a good supply of cheap labour was available. The spot also had the advantage of being within the more sheltered waters between Lantau and Hongkong and yet remote enough to avoid the smoke nuisance, as during burning the whole area is covered by a thick plume of white dust and smoke.

Today other types of industry are being attracted to Ping Chau which is now on the ferry route to Hongkong. With the construction of the pier, transportation difficulties have been eased and the only major obstacle to further development is the lack of a reliable water supply, which makes it necessary to import water in the dry season. If this difficulty could be overcome the sites of the present kilns might more profitably be used in some other type of industry, though it is doubtful if that industry would be able to integrate itself so neatly into the village economy as the lime kilns have done.

British colonial policy, particularly during the early and middle Victorian periods was extremely liberal. The aim was to interfere as little as possible with local peoples in the enjoyment of their customs and usages, consistent with the maintenance of law and order and civilised standards of behaviour generally, and with the safeguarding of commercial interests. This latter was a vital matter, for it must be remembered that the Victorians were out to build a commercial empire rather than a territorial one. The result of this liberal policy was often, and certainly in Hongkong, to allow various circulating media to co-exist, and to impose order by laying down parities of exchange from time to time as they proved necessary.

This was first done in Hongkong by Sir Henry Pottinger on March 29th 1842, before the home government had in fact recognised the existence of the colony. His proclamation of that date laid it down that dollars of all kinds were to circulate at par with respect to each other, provided they were of the proper weight and standard. Parities were fixed at two and a half rupees to one dollar, and twelve hundred cash to one dollar, and 533 cash to one rupee; no other coin, British or foreign, was to be legal tender. The proclamation also stated that cash would be sold in sums of not less than fifty dollars to anyone applying for it to the secretary and treasurer of the Superintendent of Trade. This proclamation was referred by the Foreign Office, which was then in charge of affairs in Hongkong, to the Treasury, and pending a full review of the currency question, Pottinger was ordered to make no further regulations on the matter without reference to H.M. government and the sanction of the Secretary of State.

Currency in Hongkong was complicated because Chinese practice differed widely from that of the West. In China, silver was used for making payments, but it passed by weight and degree of fineness measured there and then on the spot; this obviated the need for coining silver, which was the western practice and the main purpose of which was to guarantee, in theory at least, that the silver circulating as coin had the same intrinsic value for the same denominations. The unit of weight in China in this question of silver, was the tael, divided into ten parts called mace, and one mace was divided into ten candareen, and the candareen was subdivided into ten cash. There were thus a thousand cash to a tael. The cash was in fact coined, the only Chinese coin in general use. It was made of copper and tutenag and had the emperor's reign title on the one side, and on the reverse, the name of the place where it was cast, and a square hole enabled it to be carried about in strings. Cash were easily counterfeited, and the value had fallen from a thousand to between twelve and fifteen hundred to the tael of silver. The silver used was generally sycee, a word said to derive from the Chinese "Hsi ssu" meaning fine silk, because when heated it could be drawn out into very fine threads like silk, and it consisted of 98 parts of pure silver to two parts of alloy. It was generally made up in ingots of 10 taels or "shoes" of fifty taels, stamped with the banker's name and the date of refining.

In the southern provinces, the practice grew up of using Spanish dollars, which were silver coins introduced by Spain to the Philippines from Spanish America and then found their way to China. They were usually marked or chopped, and passed by weight and not accepted as coin, so

that for the Chinese, dollars were additional available metal to be circulated in the traditional way. The complicating factor here was that the Spanish American colonies had just become or were in process of becoming independent, with the result that Mexican or as they were called "republican" dollars and some dollars from South America were now circulating side by side with the Spanish 'Ferdinand' and 'Carolus' dollars. The latter enjoyed a considerable premium, varying from five to twelve percent, and even sycee enjoyed a small premium over these relative newcomers. All these dollars had the same intrinsic value, and their difference in extrinsic value, the market value, was due to caprice largely, and to Chinese conservatism. These proved to be indeed powerful forces. The Treasury noted that at the latest Macao prices, the Spanish dollar was worth 4/7 and the Mexican 4/3.

The problem of arranging for a circulating medium of coin of legal tender, was not urgent from the mercantile point of view since the foreign agency houses were all from Canton and well experienced in adapting themselves to Chinese methods. Indeed the commission on handling silver created an interest in maintaining the existing system. The difficulty was that it did not conform to the usages of the British Treasury or of a British colony.

Pottinger's immediate problem was the comparatively minor one of paying the troops for whom coin, either rupees or dollars, was essential. Payment in Mexican dollars caused discontent because of their lower value in the market.

The attempt arbitrarily to enforce by decree an equality between the various silver dollars broke down almost immediately in face of Chinese preference for some dollars at the expense of others, and on April 27th 1842 Pottinger was compelled to make Mexican dollars the standard of value for trade, because they were in greater supply.

In May 1844, Sir John Davis arrived to assume the governorship, and with him came Robert Montgomery Martin as Colonial Treasurer. Within a month Martin had reported on the currency arrangements of the colony. He thought that Pottinger's exclusion of British coins by his proclamation of March 1842 was due to a misunderstanding of his instructions, the relevant section of which laid down that no ordinance was to be passed allowing bills, or paper money or coin in the colony as legal tender without permission "save legal coin of the realm". Martin thought that Pottinger had misread this to mean that British coins were to be excluded. He also pointed out that merchants were finding the vagaries of the currency an additional source of profit. In Calcutta a hundred Spanish dollars were worth 208 to 210 rupees; the opium dealers would buy these, convert them into Mexican dollars in Hongkong at 5% premium and then buy bills on the government of Bengal at 225 to 227 rupees to the hundred dollars. When there were many Indian troops in the colony, rupees tended to fall in value and make the transaction even more lucrative.

Martin also found that the troops were paid at the rate of 225 rupees for a hundred dollars; but the value of the rupee was 1/10 and the value of the dollar was 4/4 on the basis of their intrinsic value in silver. But a hundred dollars at 4/4 came to 5200 pence and 225 rupees at 1/10 came to only 4950 pence; hence he calculated that a man paid in rupees lost 250 pence which was 20 days' pay on every hundred dollars converted. He also found that the navy was paid at 4/2 and the army at 4/4 to the dollar.

Davis, acting on this report, suggested that the dollar should be fixed at 4/2 since at 4/4 it deprived troops and government servants, who were paid in sterling, of part of their salaries and he suggested that British coinage should be introduced, including small coins, for change. In November 1844, he suggested that shillings and sixpences might be

circulated as equivalent to a quarter and a half quarter of a dollar. In January 1845, the proposal was made in the Executive Council that all salaries should be made in Spanish dollars or equivalent value, but the Secretary of State, Lord Stanley, refused to accept the selection of any particular coin and ordered that the decision of the Executive Council should be rescinded.

The situation demanded some change, and a proclamation by Davis, dated 1st May 1845, laid down a fresh basis for the local currency and declared British coins of all denominations to be legal tender. The following coins with their sterling equivalents were also declared to be legal tender: the gold mohur of the East India Company's territories, at 29/2; the rupee at 1/10, also half, quarter and eighth rupees at proportional parities; the dollar of Spain, Mexico or the South American States at 4/2; and copper cash of China at 288 to the shilling. This proclamation in effect attempted to establish a bimetallism in the currency. In fact the currency remained on a silver basis because British and Indian gold coins were rarely seen in the colony, and the Chinese who really dominated the currency, continued to take silver, coined or not, "by weight and touch". The proclamation saw the beginning of an attempt to introduce a definite and regular system of coinage with the

intention that British coins should gradually supplant other circulating media; but the Chinese were in no hurry to change their existing practices, and perhaps they may be forgiven in this hard world, for thinking that their interests were best served by forcing all silver through the scales. That system had served them well and had enabled them the better to protect themselves against fraud.

The currency situation was helped by the setting up of a branch of the Oriental Bank in April 1845. The Bank had written to Davis in December 1844 asking for the right to issue promissory notes to be recognised by the government for the purpose of collecting revenue; Davis agreed subject to conditions regarding local management and adequate backing. The home government refused to allow the issue of any promissory notes unless the bank were specially incorporated in the United Kingdom and refused in any case to allow revenue to be collected in such notes. The bank was therefore set up without any defined relationship to government. It was incorporated in the United Kingdom and so began to issue notes in a private capacity; in June 1846, Davis reported its note issue as \$965; by August 1847, this had risen to \$58305.

(To be concluded)
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IMPERIALISM

By Hubert Freyn

1. THE EUROPEAN IMPERIALISM OF YESTERDAY

If there is anything certain in this earthly life of ours, it is the fact of change and it goes on all the time, whether we like it or not. Of course, the change most commonly

THE AUTHOR

Some of the old-time residents of Hongkong and Shanghai may remember Mr. Freyn's name as the editor of the "China Journal (of Arts and Sciences)" and as the author of his book "Prelude to War; the Chinese Student Rebellion of 1935-6" in which he first showed his ability to forecast the future from present events. Published in Hongkong (Kelly & Walsh) was later his "Chinese Education in the War" and several monographs on conditions in China's interior. I can reveal here a secret: Mr. Freyn was also the (anonymous) editor of the Chinese government monthly, "China at War" whose penetrating political editorials he wrote.

More than having a B.Sc. degree in Economics and an M.A. degree in Chinese, Mr. Freyn, a native Austrian but an American citizen, has gone through two world wars on opposite sides and made his living on three continents. He served with UNRRA, was a Fulbright research scholar in China, and has been several times around the world. These circumstances plus his intensive study of History and Psychology has given him the rare faculty of looking at events from different points of view. "Everybody," he explained, "naturally has his personal predilections; but these should never be allowed to influence one's judgment in interpreting the evidence." Objectivity can be gained only at the expense of one's prejudices."

The consequences, as this series of articles will show, can be startling, if not downright painful. Mr. Freyn is now living in Bangkok, "principally," he said, "to get another point of view."

(Editor)

talked about is of a physical—largely economic—nature and goes under the name of "progress." Less conspicuous are the changes in the minds of people; these are often so subtle that they are noticed only over considerable periods of time wherefore they are apt to fall into the precincts of the historian and likely brushed aside as water over the dam. I maintain, however, that awareness of such changes, also if we cannot help them, would considerably reduce the number of current arguments and expectations and, possibly, improve the quality of those remaining.

Unless we adopt the Marxist thesis that the cause of all change is economic in nature, we find it to lie, as it were, in just the opposite direction. The belief in the omnipotence of economics, it is now quite clear, was itself a characteristic of a type of mind prevalent in the last century which held to scientific materialism. No first-rate Western scholar today, not to mention historians like Toynbee and Spengler, any longer supports this notion; and the fact that the Communists do is on par with their thundering against Capitalism. Their eyes, no less than their minds, are fixed on something that prevailed about a hundred years ago and has long since changed out of all recognition. I shall revert to this point again; it is very important.

Readers especially in Hongkong may be familiar with Maurice Collis' excellent book "Foreign Mud." In it the former district magistrate of Rangoon carried on a line of thought already marked in his writings about Burma. Without making it a focal point, he admirably succeeded in driving home the fact of how vastly the mind of the Englishmen has changed in the hundred odd years elapsed. Nothing, perhaps, illustrates this fact better than his referring to what were admittedly the best considered convictions of such men as the highly respected Mr. Jardine and the Rev. Dr. Karl Gutzlaff as "balderdash." The context is to the beneficial effects of free trade and of unlimited Bible distribution, effects believed to be so vast as to assuage even in

sensitive minds the perhaps not so beneficial effect of opium smuggling.

Hundreds and thousands of writings by all types of Europeans who dealt with Asia and the European impact on it leave no doubt whatsoever about what those men firmly believed in. Free trade and Christianity were to bring to the "heathen" the twofold blessings of material prosperity and eternal salvation. In the Chinese Recorder and Mission Journal, whose prototype had been founded by an American missionary as far back as 1832 in Canton, and which still maintained publication when Shanghai fell to the Communists in 1949, the convictions of hundreds of God-fearing men are on record. Add to this imposing compilation the well-nigh endless list of diplomatic and economic pioneers starting with, say, Raffles—then the reader may as well pause and reflect. And if he does so, he will much better understand the Communists.

Since the First World War at any rate, it has become customary to shrug off "The White Man's Burden" as something like an aberration of the human—especially, the British—mind. It isn't mentioned any more in polite society because one feels ashamed. This is "water over the dam" and not very clean water at that. We—whoever "we" are—after 1918, or after 1945, feel entirely differently and Collis is absolutely right when calling those past utterances "balderdash." But the derision merits to be qualified; otherwise, we will be closing our minds to the nature of Communism. And I cannot think of anything more dangerous.

The derision is also unfair to the pioneers of British imperialism in Asia. There is no need going back as far as Clive and the battle of Plassey. One needs only read Swettenham's autobiographical books in order to understand the motives, and it is motives which reveal the human mind better than anything else. The young and not overly well paid Swettenham worming his way through the unsavory Malayan jungle—in order to do what? In order to bring Civilisation to the benighted Malays. Or take that first woman missionary who, alone, set up residence in Ningpo after the Treaty of Nanking. "Whenever I went for my constitutional, crowds collected in no time. Some threw stones, and even the mangy curs seem hostile. . . ."

And now let us think of the martyrdom Communists have suffered in various parts of Asia prior to the Second World War. Think of the early lives of men like Ho Chi Minh and Mao Tze-tung. In a startling number of ways they resemble the lives of the early pioneers of European imperialism in Asia. Both types braved incredible hardships, torture and death (has the Boxer Rebellion been forgotten?) for what? For the sake of their conviction.

I may add in passing that the conviction of the White Man's Burden was by no means limited to the British. In what was French Indochina the issue at stake was "la civilisation créatrice" and as late as 1934 a Frenchman wrote a book under this title about that country which is now three; or four. And in Shantung up to 1914 the cry was "Am deutschen Wesen soll die ganze Welt genesen," with the result that Tsingtao became a model town—after the German pattern.

* * * *

Why don't the Europeans feel any more the way they did? Why did they "change their minds" and threw overboard what had been their sacred convictions? Because of the First World War.

Not because this war ended in a victory of the Triple Entente over the Triple Alliance. As regards Asia at least, the effects would have been the same if the Triple Alliance had won, and it, too, could not have been won without outside help. This war, regardless of outcome, did something which could not be remedied, regardless of who won and who lost: it undermined beyond repair the profound conviction that European civilisation was superior to

all others. In undermining this conviction it fatally affected the European mind.

It did not at all affect the industrial and generally economic superiority of European economics. Great Britain, to take the foremost example, remained immeasurably superior to India in industrial organization, output, capacity. But all that followed was essentially a rearguard action.

The Second World War completed the progress the First one had begun. Japan, an Asiatic country, in three months' time overthrew the imposing house—of cards—of European imperialism in China and in all of Southeast Asia. What is more, the British Government itself no longer believed in its mission. Hence the precipitate retreat, first from India and Burma; then, rather unexpectedly, it seems, from Iran; then from the Suez Canal; then from the Sudan; and the end is not yet.

This chain-action, once the dominant motive has been lost, is no secret. The French fought it at Dien Pien Phu and lost; they are still fighting it in North Africa; but the conclusion is foregone. As a French writer exclaimed in despair: "We don't want to follow the way of Spain and Portugal!"

Of course, the French don't want. But they must. As indicated by the revolts of reservists, the French people themselves no longer believe in the mission créatrice française; and as soon as the belief in one's superiority comes to an end, the end of one's dominion is in sight.

What engenders and propels imperialism is the conviction of one's superiority, coupled with a Messianic urge to confer on inferiors the blessings of this superiority. The guises are manifold, but the essential mental condition remains the same. Outside of sheer power as exercised, say, by Genghis Khan, the very fundamentals of domination of one country and people over another rest in the unshakable—"eternal"—belief that one is superior. A handful of British magistrates could never have governed the millions of India in any other way.

Take away, on one side, the belief of superiority; and take away, on the other side, the belief in inferiority, which is just as potent—and the entire relationship collapses.

Once this fact is realized, one cannot but wonder at the naïvete with which the Western foreign ministers at last year's Geneva conference raised—"among other matters" as if it were a trifle—the issue of the abolition of the iron curtain. This feature is as essential to the communist regimes as was the Open Door in China to the British Government. It was to enforce this Open Door that Great Britain went to war with China, twice, and as late as 1898 a government spokesman declared in Parliament, as a warning no longer to powerless China but to other foreign powers: "His Majesty's Government are determined, if necessary at the cost of war, that the Door in China shall not be shut." To ask the Soviet Union to abolish the iron curtain was equivalent to asking, half a century ago, the British Government to abolish free trade.

My point is this: The British mind today has moved so far away from what it held fast to during the days of British imperialism that it cannot visualize how the communist mind now functions when it is in the hey-day of its imperialism.

This lack of understanding comes also to the fore when the communist appeal in Asia is being considered, as most recently evidenced by the triumphal tour of Bulganin and Krushchev. Have the Britain people forgotten the glittering durbars held by their viceroys in Calcutta and New Delhi? Did not the bejewelled maharajas come to pay homage to their foreign overlord?

There is another cause for the lack of understanding, and it lies in the communist methods. The ultimate aim

happens to be very similar indeed (Marx, after all, was a European) though the Communists go farther. The White Man's Burden was carried gladly in the stout belief that European domination would bring to Asia the ideal of the "greatest happiness of the greatest number." Implied, though not often admitted, was the circumstance that the suffering of a minority could not be avoided. Marx went one better on Bentham by calling for the total abolition of all exploitation and a classless society.

But Marx also postulated quite different means. While the European (and the emerging American following in his footsteps) believed in the twin gospel of free trade and Christianity, Marx believed in the dictatorship of the proletariat, a postulate enlarged later by Lenin (another great European) to include—at least temporarily—the peasants.

All non-Communists naturally abhor communist regimentation. Our indignation will be tempered with better understanding when we view, if only in retrospect, the devastations caused by free trade in Asia. Rather belatedly and in many places too late, it has been discovered that free trade had meant the destruction of the traditional home industries and led directly to the pauperization of the Chinese and Indian farmer. (Rather belatedly we have also discovered the esthetic loss involved). To this sad chapter belongs the destruction of other subsidiary means of livelihood of the agricultural populations, such as by railways, which ruined the carrying and boat traffic. The process led, in addition—and this of course was deliberate—to the economic dependence of the colonies, including China, on the ruling powers.

Is a dependence on the U.S.S.R. so much worse? And if the Soviets charge four or five or six per cent interest, how about the rate of the colonial loans, not to mention the large dividends paid by private firms which enjoyed a near-monopoly of the lucrative foreign trade plus numerous "concessions"?

The closer we examine the methods of imperialism, the more alike they become; which is really obvious because in their fundamental psychological traits the human minds are one.

But, some economists will object, granting economic and political coercion, our educators did dispense our precious freedom of thought.

In a measure, yes, and I shall revert to this topic again wherein lies the communist Achilles heel and the imperative necessity for the iron curtain. But not as much freedom as is often imagined.

* * * *

The West was conquering the globe, and there simply could be no doubt that it was superior in at least one respect: in the domination of natural powers that go under the name of Science. Science, and Science alone made machines, made guns, made explosives, and all of these things in quantities unheard of in the handicraft stage. More than that, Science made wealth untold.

Where were its secrets to be learned? In the mission schools, of course. But together with the courses in Chemistry and Physics the eager Chinese and Indian students had—were forced—to take Bible classes and attend Sunday school. Was this "freedom of thought"?

The Western missionary educators would have indignantly rejected the accusation that they were trying to "regiment" the thoughts of their students. Why, they re-

joined, we are merely trying to give them the very best of our superior civilization. We are teaching them Science, the like of which backward Asia never knew, and we are teaching them Christianity, which means the Dignity of Man. None of that Oriental family business for us.

And because these ideals loomed so supreme they justified everything. In the Treaty of Tientsin, 1860, China was compelled to open its borders to the unrestricted inflow of opium and to the unrestricted residence of missionaries. Yet, no missionary, no board secretary, no president of a religious organization protested against this strange coupling. Dignity of Man, yes—but after our ideas. Earlier, the Taiping Rebellion had devastated a dozen Chinese provinces and caused the loss of some twenty million people. Its leader was a Chinese who had studied under a missionary; he styled himself the Younger Brother of Christ.

Did this holocaust in any way deter the missionaries from later efforts? It did not. At the beginning, this rebellion against the constituted authority of the Celestial Government was openly applauded because it would open up China, both for Christianity and for Western commerce. Whence the applause came both from the missionaries and the authorities.

But, one may here object, this is just that already mentioned dirty water over the dam. Now we feel quite differently. The general public no doubt feels this way. But it is a well established psychological rule that the offended has a much longer memory than the offender. The communist appeal in Asia is so effective for just this reason: it appeals to the grievance of the offended, and never mind where. China, India, Vietnam, Burma, Indonesia—everywhere linger the traces of the resentments of those who had been subjected. One need only imagine that George Washington and some other signers of the Declaration of Independence had fallen into the hands of the British and been clapped into jail. After such an episode could there have been a Marshall Plan for Great Britain? Yet, Nehru's "crime" was not different from George Washington's; it was a mere extraneous condition that he could not escape before he could fight for independence.

In communist China we are faced with a double motive power. One is the imperialist-communist appeal; and the other, the fuel to make the former burn red-hot, is the resentment against past grievances. In India the appeal rests on the second motive force.

If the Marxist-Leninist message contained no impediment against these two appeals, one of which is alone enough to keep countries like India, Indonesia, and Burma in the neutralist camp, then the future would be dim indeed. It matters little, I believe, that European imperialism is dead and that the United States of America, just because it once was a colony, cannot possibly be imperialistic; this is a condition of mind almost impossible to grasp for an Asiatic who, since Vasco da Gama, has been wont to associate the White Man—any White Man—with domination. (And that the Russian is just as "white" will certainly come to the fore in the near future).

The hope rests on the weaknesses intrinsic in the communist performance. The gospel of the "greatest happiness of the greatest number" left at least some leeway for misfortunes, deserved or undeserved. The "classless society free from all exploitation" leaves none whatsoever. Free trade and Bibles did not usher in the millennium in Asia but, it cannot be denied, they did bring about some notable improvements in specific fields. And they also did bring in, if belatedly, that freedom of thought which has

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CHIN PENG'S LOST GAME

Chin Peng and his fellow terrorists in Malaya are now so thoroughly out of step with international communist trends that it would not be surprising to learn that in their jungle lairs they still sing hymns of adulation to Stalin. Everywhere else the communist line has switched to co-existence internationally and to frantic efforts to revive united front tactics on domestic issues. Even the tiny communist party of Great Britain has fallen into line. Asian communist parties have received their instructions. Japanese communists have become less militant and less inclined to call socialists and other political groups running dogs of imperialism. In Burma large numbers of communists have accepted amnesty offered by Burmese Govt. no doubt with hope and aim of working more effectively from within the body politic than they could do as outcasts and bandits. Sweet reasonableness and goodwill oozes from communists on every side. Even although there is as yet no overt sign of the Pathet Lao complying with the resolution of the international supervisory commission calling for establishment of the royal Laotian government's administration in two northern provinces there have been hints from their creators and supporters that they will be prepared to join in public life of the state.

Somewhere along the chain of command between Malayan communists and their comrades a link is missing. When others are laying down their arms and emerging with

freshly washed hands and engaging smiles Chin Peng and his gangs are still flourishing weapons. Instead of the new found affability of Russians and others in direct contacts with the free world Chin Peng avoids direct messages to elected leaders of Malaya and tries to win fresh talks which could save face by issuing public statements. Instead of laying aside violence and hoping thereby to secure an advantageous position for infiltration he tries to ensure that position by blackmail. Statements by Tunku Abdul Rahman, Chief Minister of the Federation, and Mr. David Marshall, Chief Minister of Singapore, prove that his tactics have failed. After lessons of earlier talks at Baling the two nationalist leaders are in no mood for further time-wasting manoeuvres by the terrorists. The failure of Chin Peng to keep in step is due to his realisation of how thoroughly disillusioned the Malayan peoples are as to communist aims. He now understands that brutality and duplicity he and his colleagues have displayed have made it certain that elected leaders of Malaya will neither yield to blackmail nor be tempted into offering so soft a peace that Malayan communists could simply switch direct from one form of attack to another designed to destroy democracy from within. There is every sign that Chin Peng now is or very shortly will be in an absolutely unique position as only communist leader in the world not exuding goodwill in all directions.

BRITAIN'S BALANCE-OF-PAYMENTS WHITE PAPER

By John Kingsley

The U.K. Treasury issued on April 4, the monthly statement on the gold and dollar reserves and also published the customary White Paper on last year's balance of payments. The reserves show an increase of \$67 million to \$2,277 million in March, the largest monthly increase for two years, following increases of \$29 million in January and \$61 million in February. These figures are encouraging and prove that the disinflationary measures taken by the Government are effective.

It is worth recalling that a better trend set in as far back as six months ago, after Mr. Butler's emphatic declaration at Istanbul to maintain the value of the pound. The loss last December was occasioned by the annual payments on the North American loans and did not indicate a reversal of the underlying trend. The gain of \$157 million in the first quarter of this year is a distinct sign of improvement even though this period is a favourable season for the earnings of the sterling area. It is fully appreciated that a much greater improvement is necessary if the reserves (which are those of the whole sterling area) are seen in relation to the sterling area's total annual imports from the outside world of about \$10,000 million. Satisfactory as the recent improvement may be, there is no feeling of complacency in official circles. As was reaffirmed in the Economic Survey "if the measures so far taken are slow in producing results, they will be reinforced".

As the main data of the balance of payments were already included in the Economic Survey, the principal interest of the new White Paper lies in the detailed presentation of the tables. It is now clear that the main deterioration in

the U.K. current balance took place in the second half of 1954 and there was a further although more gradual worsening up to the end of last year.

The figures of the U.K. current balance exaggerate the deterioration during 1955 (the surplus of £174 million in the first half of 1954 declined to £31 million in the second half of 1954, to £15 million in the first half of 1955. It was followed by a deficit of £118 million in the second half of 1955). The main factor was the increase in the deficit in the U.K.'s visible trade with imports rising more steeply than exports. The October dock strike also helped to damp down export earnings for the second half of 1954, the benefit going to shipments in the first half of 1955. If allowance is made for this special factor and for the normal seasonal adverse trend in the second half of the year, the deficit in the second half of 1955 is shown to be far less disquieting than the figures itself might suggest. It is natural that imports shall rise at a time of prosperity. That exports have not kept pace has been due to excessive home demand and it is for that reason that Government policy still aims to limit such demand. The steady improvement since the end of 1955 is not likely to result in any change in the present firm policies. "Invisible" earnings (earnings from services such as shipping, banking, etc.) also showed a decline last year. This was largely due to fortuitous circumstances. In particular, net income from oil transactions decreased because of back-payments on royalties and expenses connected with the re-opening of the Abadan refinery which will result in higher earnings from increased production later on.

It is sometimes asked why the U.K.'s balance of payments is more sensitive to short-term fluctuations than that of some other European countries. The White Paper shows one important reason—the large Government obligations abroad, which have been met in good and bad years. Thus, last year military expenditure abroad amounted to £150 million (50 per cent more than the deficit for the year). Colonial grants reached £30 million, relief and other grants amounted to £20 million and net interest paid on Government loans was £40 million. Together these obligations totalled no less than £240 million.

Little has been known about the trend of U.K. private long-term investment abroad. The White Paper fills this gap in our knowledge for the first time. Such investment averaged £150 million to £175 million in the period from 1952 to 1955 and reached £125 million last year. Naturally, the greater part was intended for the development of the resources of the sterling area (£100 million last year). This figure shows that the U.K. is continuing to play its part in the development of the sterling area; but it also indicates the necessity to achieve a surplus in order to finance such investment since it cannot be met by drawing on the reserves for any length of time.

After taking into account other known capital transactions, including a decrease in sterling liabilities by £63 million, and the decline in the reserves by £229 million, there remains a balance of £175 million, which cannot be accounted for (i.e. errors and omissions). This item is rather larger than in previous years, but still less than 2 per cent of the gross turnover of the transactions included in the balance of payments. It indicates that either current earnings or the capital inflow are understated. It is highly probable that a large part of this amount relates to short-term capital attracted to London, which indicates the effectiveness of the Government's measures to restore foreign confidence. It would, however, not be surprising if later more complete information should show that part of this unidentified item relates to current earnings and that accordingly the current deficit is lower than the present estimate. But even a deficit of £50 million would not be satisfactory. The aim of the U.K. remains to achieve a surplus in order to be able to fulfil its overseas commitments and to build up its reserves. To do this, it will do its utmost to expand its exports at a faster rate. There is little doubt that the Government's present disinflationary policies will succeed in reducing the claims of the home market on U.K. productive capacity; and thus leave the way open to exporters.

ECONOMIC REPORTS FROM THE PHILIPPINES

Pres. Magsaysay made clear his stand on economic policies. "We cannot spend our way to prosperity through unlimited public borrowing. Our economy demands much more skilful planning and allocation of resources and more judicious use of national credit. While our ultimate objective is elimination of exchange controls, the plain fact is that today and for some time to come we must maintain an effective control system. Not until domestic production has been substantially increased can these controls be safely relaxed. Our basic foreign exchange policy provides that increasing amounts of our dollar resources be devoted to imports of machinery and equipment needed to establish new productive facilities which will make greater use of local raw materials. My position in favor of firmly maintaining the value of the peso is not just a matter of theory. It is a matter of stern practical responsibility. There are many technical reasons for supporting the value of our currency, but to me the most compelling reason is the welfare of the great majority of wage earners. Any reduction in the value of the peso would be a cruel and disastrous blow to the very people who can least stand it."

Devaluation would especially benefit rich producers who owe huge sums of money to the banks and who, with the peso reduced in value, could pay off their obligations to the prejudice of the financing institutions.

The \$6,000,000 expansion program which the mining interests of Elizalde and Co. will launch this year already included the purchase in the U.S. of \$4,500,000 worth of machinery to be used in the development of the Sipalay Copper Mines in Negros Occidental (a property held by Marinduque Iron Mines), \$400,000 worth of drilling equipment for prospective oil deposits in Acoje, and \$250,000 worth of machinery to double the production of the Masara Gold and Copper Mines in Samar.

Baguio Gold Mining Co. reports its January output as 12,597 tons of ore milled and 2,734.71 ounces of gold re-

covered for a value of P296,063. Itogon Mining Co. in January milled 15,337 tons of ore for a recovery of 2,917.319 fine ounces of gold and 1,144.656 fine ounces of silver for a combined value of P313,560.

A new copper mining company, the Philex Mining Corp., has started development work in Benguet in Mountain Province. The firm has been granted concessions in a portion of the Central Cordillera Forest Reserve. George T. Scholey, engineer for the corporation, declares that the area is "well mineralized," and that the firm intends to construct a custom smelter with an initial output of 1,000 tons and an ultimate daily capacity of 5,000 tons.

The P10,000,000 Universal Textile Mills, the first privately-owned integrated textile mill in the Philippines, will begin operating in August. The plant, located in Marikina, Rizal, will be the largest complete textile mill in the Philippines and the third largest in the Far East. The plant will produce cotton and spun rayon direct from raw materials, finishing them through the bleaching, dying and printing processes.

The continuing bullish trend and high level of activity in the Manila mining share market is attributed mainly to two factors: (1) the present high price of copper, hovering around 50 cents a pound, with American metal circles estimating that the price will stabilize at above 30 cents a pound for the next 15 years; and (2) the expansion of some of the major Philippine mines into nickel production. The Atlas Consolidated copper mine at Toledo, the largest open pit copper mine in the Far East, is now milling 6,000 tons of ore a day, for a recovery of over two million pounds of copper a month. The mine is scheduled to increase its milling capacity to 10,000 tons daily before the end of the year. Marinduque Iron Mines is developing two copper properties which contain large reserves of high grade ore.

Samar Iron Mines, an Elizalde managed property, is now producing gold and copper as well as iron and is plan-

ning to expand into the production of nickel. The firm owns properties on Samar and the adjacent island of Homonhon which contain huge reserves of high grade nickel. Nickel mining operations call for larger expenditures of capital than any single mining operations in the Philippines could probably handle. Benguet Consolidated, one of the country's oldest and best established gold mining companies, is interested—as are several international nickel mining organizations—in developing and operating the huge government nickel ore reserves on Nonoc Island, off Surigao.

The base metal producers of the Philippines have thrown their weight behind the gold producers in attempting to have Congress extend, and even increase, the subsidy to gold mining which is due to expire this June. Under the proposed extension of the subsidy program, base metal producers which turn out gold as a by-product, would also be entitled to a subsidy. Lepanto Consolidated, one of the country's two major copper mines, produces more gold monthly than some of the regular gold mines. The proposed extension of the subsidy would raise the rate for marginal mines from P111.72 to P116.00 per ounce; and for non-marginal mines, from P105.40 to P109.00. Mines would be required to sell half of their output to the government, and would have the right to sell all of it to the government if they could not obtain a better price for it on the open market.

Manganese producers are urging some sort of subsidy for their own industry, which has been hard hit by recent declining prices for manganese on the world market. Several manganese mines have suspended operations within the past few years.

Samar Mining Co. has made two shipments of copper, gold and silver concentrates this year from its Masara projects in Davao. The shipments, which went to Japan, totalled 453 dry metric tons, with a copper content between 10.4% and 13.7%.

Atlas Consolidated Mining and Development Co. on Feb. 23 at its Toledo mine reached for the first time a daily production of 6,000 tons of ore milled. Increased production figures for February showed 149,930 tons of ore milled, assaying .90% copper and .01 oz. of gold per ton. Concentrates produced during the month totalled 4754 dry short tons containing 2,069,632 pounds of copper, for a record high since the beginning of operations. The concentrates averaged 21.77% copper and .125 ounces of gold per ton. Gold contained in the concentrates is estimated at 594 ounces. Shipments during the month aggregated 2,012,718 pounds of copper and 578 ounces of gold, valued at P1,825,173 and P40,460, respectively.

Lepanto Consolidated Mining Co. February output was 4,096 tons of concentrates estimated to contain 1,859,830 pounds of copper and 3,072.0 ounces of gold. Average copper content of ore treated was 2.86%; average gold content, 0.112 oz. per ton.

Philippine Oil Development Co., in drilling operations on its first well in the Cagayan Valley, reached a depth of 3,678 feet on March 4th. Seven cores taken during the last thousand feet showed mostly siltstone and shale with occasional thin streaks of very fine grained sand. All the cores contained substantial gas. The frequency and degree of gas showings has been increasing with depth.

Speculation that the Philippines may have hitherto undisclosed resources of cobalt was sparked by a report from the Bureau of Mines that samples from the government's large nickel reserves in Surigao and adjacent islands also show the evidence of cobalt. Exploration for cobalt would follow that for nickel. A private operator reported a sam-

ple from the Bicol region that was found positive for cobalt, though whether or not the metal was present in commercial quantities had not been determined. Cobalt now commands the price of P5.00 per pound in the world market.

The five oil exploration concessions in Mindanao granted to White Eagle Overseas Co. will, with other concessions previously approved by the Department of Agriculture and Natural Resources, bring some 900,000 hectares in Mindanao under oil exploration operations. The Department discloses that there are now nine petroleum companies looking for oil in the Philippines over extensive areas aggregating 3,500,000 hectares.

The low price that Philippine growers receive for their abaca is chiefly responsible for the depressed condition of the abaca industry in the country today. Mosaic disease, competition from Central American and East African sisal, and competition from abaca grown in North Borneo have aggravated the situation. But the basic difficulty is still the low return which Philippine abaca growers receive from their crops, returns so low that many of them are unable to keep going and are forced to abandon their plantations. The growers blame this situation in large part on exchange controls, which allow them only \$2.00 for every dollar their abaca brings on the world market, whereas, if it were not for controls, they would receive P2.70. They argue that since exchange controls were instituted in 1950, the total Philippine export of abaca has brought producers only P448,000,000. They claim that at the free-market exchange rate for the peso, they should have received P605,000,000, or a difference of P157,000,000. That amount, they say, would have been sufficient to rehabilitate the industry and allow present producers to expand their production. The producers urge that they be permitted to barter their commodity under the no-dollar law. They claim that under this system they would get a fairer share of the real value of their crops, and that they would then be provided with the incentive they need. (Their argument, of course, overlooks the fact that if abaca and other basic export crops are extensively bartered, the country will be deprived of dollars which it needs for the importation of machinery and other industrialization needs).

Approximately 3,000,000 inhabitants of the country are dependent upon the abaca industry. For a long time abaca occupied first place in Philippine export trade. In 1900, abaca accounted for 58% of total exports. At the outbreak of World War II it accounted for only 11%, and, except for a brief period during the Korean War, the relative value of abaca exports has been declining steadily as follows:

	1900	1910	1920	1930	1940	1950	1960	1961	1962	1963	1964	1965 (Jan-June)
	90,869 tons	163,173 "	141,468 "	169,291 "	177,444 "							
						95,257 tons	125,410 "	107,162 "	107,328 "	96,944 "	83,626 "	

In spite of the fact that during the last three years the quantity did not change very much, yet the value has changed tremendously. In 1963 the 107,000 tons brought P75,000,000; while in 1964, 97,000 tons brought only P52,000,000.

Contrary to general belief, the Philippines no longer controls the world hard fiber market. While abaca is still considered the world's leading hard fiber—and while the Philippines still holds a substantial monopoly on abaca production—East Africa has taken over a dominant position in the fiber field with its greatly increased output of sisal. Before the war East Africa was producing an annual average of 121,000 long tons of sisal, but today is producing a yearly

average of over 180,000 long tons. Because sisal is underselling abaca in the world market, demand for Manila hemp has been on the decline, while demand for sisal has been on the increase. The U.S. has steadily reduced its purchases of this fiber from an average of 450,000 bales annually from 1949 through 1952 to 200,000 bales in 1953 and 200,000 bales in 1954. Japan, second biggest market, reduced its purchases from 235,000 bales in 1953 to 218,000 bales in 1954.

The rise of sisal to a position of advantage in the world market is partly due to the fact that production in East Africa was not disrupted to the same extent during the war as it was in the Philippines. Consequently, the production cost of sisal did not rise as sharply as that of abaca. Exchange difficulties have contributed to the troubles of the abaca growers. Japan and the European countries have not had the dollars to buy as much abaca as they wanted. Great Britain has switched heavily to sisal because it could buy sisal from East Africa with sterling, instead of the dollars it would have had to pay for Manila hemp. The decline in the U.S. market is attributed to the fact that for several years the U.S. government took Central American abaca production into the open market in the U.S. in direct competition with Philippine fiber.

Reexamination of United States-Philippine relations has gained wide support in Congress, notwithstanding administration moves to check further deterioration of friendly relations between the two countries. Sen. Pedro Sabido asserted the need for reviewing the military bases agreement between the two countries. Sen. Claro M. Recto said that he would fully support a move for total reexamination of Philippine-American ties. In the lower house, majority congressmen demanded an inquiry into all complaints of Filipino workers about discrimination in American military bases and civilian establishments. The House Labor Committee threatened to pull 15,000 Filipino workers out of the U.S. naval base on Guam if a congressional committee sent there fails to get concessions for the workers under the U.S. fair labor standards act.

House Bill No. 2412, which would create a Philippine tourist development authority, was backed by Commerce Secretary Oscar Ledesma. The Secretary suggested amendments which would suspend the payment of visa fees for tourists.

The Philippine Sugar Institute close a deal to trade 20,000 tons of Philippine sugar for an equal amount of Portuguese rice on a ton-for-ton basis. The right to export the sugar fell under a special grant to the Philippines from the International Sugar Council. The special quota had to be used by March 31; otherwise it would have been forfeited, with the attendant danger that a similar quota might not be granted next year. Under the barter arrangement, each country will pay for the freight and handling of the commodity it receives. The firm handling the Portuguese end of the transaction is Entreponto Mercantil, Ltda. of Lisbon.

The Caltex Philippines Refinery Corp. in Batangas set a precedent in Philippine labor relations by extending the principle of the five-day week to 500 workers of the Caltex Refinery Employees Association. The provision was contained in a strike-ending agreement worked out after nearly six months of negotiations. The contract provides that the work week will be reduced from 48 to 44 hours and after 18 months will be further reduced to 40 hours. Provisions for pay raises were also included. It was agreed that there will be no strikes or lockouts during the term of the contract, which extends to Dec. 31, 1958.

The number of strikes in the Philippines has been steadily decreasing over the past four years. There were 87 strikes in 1953, 64 in 1954, 43 in 1955, and 21 in the first three months of the current year. Strikes are always most numerous in the early part of the year because this is the time when contracts expire and new negotiations are under way. The 43 strikes in 1955 all occurred in the first three months, which throws a favorable light on the fact that only 21 have occurred in the first quarter of this year.

The newly established Fuller Paint Manufacturing Co. (Philippines), Inc., is setting up laboratory facilities to explore local sources of raw materials. The laboratory will assist local producers in meeting the materials standard of the industry. The factory will have an initial production rate of 1,000 to 1,500 gallons of Fuller paint products per day.

The need for expanded industrial research in the Philippines is emphasized by Speaker Jose B. Laurel in his bill to appropriate P2,000,000 for an industrial research center with facilities to develop new industries, exploit local raw materials, set up pilot plants, etc. At present the only industrial research center in the country is that at the University of the Philippines, and this is hampered by limited funds and personnel.

An 11% increase in the index for manufacturing production in 1955 is reported by the Central Bank. The index has risen more than 100% since 1949. However, employment since 1949 has increased by only 16%. Average monthly earnings in the manufacturing industries have been rising—from P114 in 1953 to P119 in 1954 and P122 in 1955.

A plan to grow cotton in the Philippines for its own use in the local textile industry has been announced by General Textiles, which several years ago set up the first privately-owned spinning mill in the country. The Department of Agriculture will extend technical assistance in getting the project under way.

Pres. Magsaysay's instructions to the National Economic Council to consider the development of a local paper industry using major crop by-products as raw materials was spurred by the proposed of a Netherlands manufacturer to produce paper from rice straw and abaca and coconut wastes. The President hoped private capital would develop this new industry, but if not, the government might pioneer in the venture.

There are good prospects of finding oil in the Philippines in commercial quantities; otherwise responsible oil companies would not be risking large amounts of capital for exploration, drilling and geophysical prospecting. This declaration was made before a Senate committee by Mines Director Benjamin Gozon. Nobody can be sure commercial oil deposits exist anywhere until such deposits have been proved by actual drilling. Two companies in addition to Philippine Oil Development intend to start drilling operations before the end of the year, and one company intends to undertake a geophysical survey before the coming of the rainy season. The Bureau of Mines is continuing a reconnaissance survey of the country to find additional oil prospects.

The Hixbar Mining Co. has signed a contract with the Engineering Equipment and Supply Co. for the construction of an ore mill of the Hixbar copper and iron sulfide mine on Rapu-Rapu Island, Albay. The plant will have a daily capacity of 275 tons. Expected to be completed in nine months, it will facilitate the production of iron sulfide concentrates needed in fertilizer manufacture and copper con-

THE SITUATION IN SINGAPORE

Ever since the riots that ended the Merdeka rally at the old Kallang airport at Singapore, there has been an increasing fear among all communities of the possibility of violence and perhaps disaster when the Colony becomes independent. People of all races were concerned. A rising crescendo of correspondence in the papers, including many letters even from Chinese, indicated how nervous nearly everybody had become over the trend of events. It was a sharp and sudden switch from the emotional "rejoicings" of earlier developments. It was aggravated by the aloofness of the new regime in Malaya. The Chief Minister of the Federation had made it quite clear they wouldn't take in Singapore as an equal partner, and his references to the incessant strikes and subversive agitation almost made it seem as if he would not take the colony in at any price. A message from Bangkok during his visit there did nothing to modify this impression and much to increase it.

All the various communities, including even some of the Chinese, have been asking whether Britain has set out on the familiar and well-meaning path of transferring powers of government to a dependent territory without analysing too clearly where this path seems to lead, in this instance possibly to disorder or, because of the overwhelming Chinese population, to China. They have been asking themselves not simply whether more danger and disorder lie ahead, but which of the only two courses now open will bring less trouble—a withholding of the new political freedom by Britain, or a decision by her to go ahead hoping for the best. This atmosphere has been building up for some time. The situation was such that Chief Minister Marshall was forced to cancel a meeting with representatives of the European community to try to heal the antagonism which has sprung up between him and them. It has even made the police doubtful of support from the elected branch of the Government when they wish to ban some Chinese society which they regard as subversive. Even the liberal-minded British residents, who believe that Britain cannot now hold back, are now asking themselves whether Britain should not retain reserve powers for internal security, leaving a full transfer of power to another day. To this Marshall refuses to agree. There must be a decisive settlement this month—Singapore could not go back and ask for more later, he said. But he did disclose certain proposals he intends to make at the conference in London. They turn on the responsibility for public order and on Britain's power of intervention if the domestic security forces lose, or seem likely to lose, control. They also offer Britain "concurrent but paramount responsibility" for the island's external poli-

tical relations, excluding trade, as well as full control of defence against attack from outside. "Doubts, hopes, fears and emotionalism have mounted day by day, leaving British officials surely perplexed how to deal with a movement towards independence which Britain herself initiated, without realising that it would snowball into a force that ignores all her careful time-tables."

Sir Ivor Jennings has been appointed constitutional adviser to the Singapore Government. He will write a safeguarding right of intervention into the constitutional draft. It provides that the "Prime Minister" of Singapore would recognise a duty to consult with the Governor-General and to act on his advice if and when, in the opinion of a committee composed of the Services affected, the locally recruited defence forces are inadequate to maintain public order. In speaking of external defence, Marshall said he envisaged Singapore as a bastion or fort for the defence of the Malayan hinterland. Here he echoed partly the views of the British Service chiefs, who regard Singapore as a bastion not only for Malaya but for all Britain's interests in South-east Asia and the Far East. They consider there is no ready alternative to Singapore, and however unreliable the population might be in time of war, the island as a pivot of strategic warfare and a depot is indispensable. In her anxiety to protect internal security, Britain might consider Marshall's proposal would not leave her sufficient power to decide whether order is threatened. She might wish the Governor-General—if such be the title of her representative—to be able to use his own judgment when to intervene.

This viewpoint might carry the day, but the Marshall Government is now so keen to show it can keep order with its own forces that it is hoping to form a Singapore battalion before April, 1957, the date by which it wishes to become independent. As part of his tactics of taking every hurdle now, Marshall is also thinking of pressing on once more with his plans for a Singapore citizenship, once he is convinced that the Federation of Malaya will have nothing to do, at least for the present, with a merger of the two territories. In spite of Malayan opposition, he wants to establish Singapore citizenship for all who have perhaps seven or ten years' residence on the island, provided they take an oath of allegiance to the Queen and abjure allegiance to any other country. All such Singapore citizens would have a vote, thus opening the franchise to some 220,000 Chinese as well as Indians, Indonesians and others not now enfranchised. At present about 300,000 Chinese have the vote.

The markedly cool response of the Chief Minister of Malaya to the passionate wooing of his Singapore colleague has sent a chill down the spine of a good many people in the port. A pointed warning was given by the President of the Singapore General Chamber of Commerce, Mr. H. F. Clements. In spite of all 1955 was the best trading year since the boom rubber year of 1951. The year should thus have ended with a buoyant market and a happy and contented community. Instead, it had closed in a state of uncertainty and widespread industrial unrest, and money was growing tight at a time when it should be flowing freely. Singapore, he said, must stop alarming her friends and neighbours. He criticised the Government for having failed to meet the obvious need for a joint consultative board on which employers and workers could hold open-minded discussions.

centrates for local use or export. The company says that substantial, or bodies have already been developed. The mine has been under rehabilitation and development since the end of the war.

A new P500,000 glucose and corn syrup factory in Cebu is being constructed by the Lu Do and Lu Ym Company, Cebu's leading export manufacturing concern. Operating as a subsidiary of the Philippine Corn Products Co., which is owned by the Lu Do and Lu Ym firm, the plant is expected to fill the country's entire needs for glucose and corn syrup and possibly produce a surplus for export to neighboring countries. At present the Philippines is importing around P3,500,000 worth of the two products yearly from the U.S.

The new Singapore plan had not previously been submitted to any of the British officials. The crucial element in public security is the police, of whose officers at present two-thirds are British. But the Malayazation Commission proposes that all officers from the Commissioner of Police downward should be Malaysians within three years. Beyond this, the police, through the Special Branch, are the source of intelligence on which most of the decisions on keeping order are based. Some British officials believe that unless this information continues to go to them direct, rather than through an elected Minister, it would be better for them not to attempt to be responsible, in the last resort, for law and order.

All but the more vehement anti-British circles in Singapore welcomed the proposal, advanced by the Chief Minister after consultations with other parties, that the head of the Government should consult the "Governor-General" if, in the opinion of the local chiefs of the Services affected, the local defence forces are inadequate to maintain public order. Singapore would look upon this as a safeguard against its worst fears, though there are some objections from the British Government's viewpoint. Although unable to influence domestic policy, Britain would be committed to assist the Singapore Government in the event of serious disturbances breaking out as a result of that policy.

Singapore is notorious for the dreadful things that happen when either the Malays or the Chinese go on the rampage. The rank and file of the police are mostly Malays, who deal quite rationally and in a calm, disciplined way with mobs of Chinese students even when stones are thrown, so long as there are European officers in command. But what is likely to happen if the Europeans go and both students and police get out of hand? Responsible Chinese and Malay leaders fear nothing so much as a race war. In the last disorders over the Bertha Hertog affair the Malay rioters burned European victims in oil! If any trouble of that sort occurred in Singapore it would spread at once to the Federation. One might have supposed in the face of such dangers that all would err on the side of caution rather than rashness, and perhaps when the final terms have to be drafted this tendency will be uppermost. Meanwhile parti-

san manoeuvring is perhaps unavoidable. The sudden spate of pocket politicians in Singapore feel they must watch their step and not allow the other fellow to point the finger of scorn at them as belonging to the new category of Marshall's brand of traitors who would allow Britain—to whom the island happens after all to belong!—formally any share in responsibility for internal security. But all the political parties were given the new draft Constitution, and the members of the all-party delegation of 13 which is going to London discussed it before the first meeting of the Assembly on April 3, when it was announced they were all in agreement.

The most extraordinary aspect of the whole controversy is the way in which the European community and even Britain's own rights are ignored. It might be assumed that Singapore belonged to some jungle aborigine ignorant of his own or any other name rather than to a Great Power which bought it and then created the great port and city of today. To the question of what could be done if for any reason Britain changed her own mind and altered the course she herself set, the only answer so far audible is that of the P.A.P. leader, who would raise the mob.

In all these goings on the British and other Europeans were utterly ignored. They sent a letter to Mr. Marshall, signed by 27 prominent business leaders and two journalists, saying they had the impression, which they deplored, that they were being singled out as a separate community. But although certain communities had announced in advance their opposition to any decisions reached in London which did not meet their desires, the Chief Minister could be assured that the writers of the letter would loyally support the constitution and the decisions reached in London whatever they might be. They said, rather caustically, that they would have appreciated an opportunity of assuring Mr. Marshall that they considered their interests synonymous with those of other citizens in Singapore. They supported orderly progress towards self-government and were fully prepared to co-operate in any way possible with the elected Government. Mr. Marshall announced afterward that he welcomed the letter.

KOREA'S PROGRESS AND INTERNATIONAL ASSISTANCE

All over the Republic, the sounds of workmen are breaking into the stillness of villages, farms and upland valleys. In coal-seamed mountains of the northeast, giant compressors and generators are being installed in mines to speed up the output of fuel for Korean industries. In boatyards on the jagged southwestern coast, rough cedar logs and Douglas firs are being sawn and shaped into timbers for new fishing craft that will increase the country's own food supply and give it additional exports. In rice-growing districts, dams of earth and cement are being flung across whole valleys to store up water that will double the crops on thousands of acres of land.

On the steep slopes of Yong-Do Island southwest of Pusan, finishing touches are being put on a modern new Merchant Marine Academy to strengthen the Republic's commercial shipping; and in the limestone-rich area of Mungyong, construction has started on Korea's largest cement plant.

At these and more than 3,000 other project sites up and down the peninsula, the work has been made possible by an international partnership between the Republic of

Korea and the United Nations Korean Reconstruction Agency (UNKRA). In this partnership, the contributions of 39 nations have enabled UNKRA to bring in millions of dollars worth of building materials, modern machines, and technical specialists to advise in their use; in turn, the Korean people are using the aid to rebuild an economy laid waste by invasion.

The task of recovery could not be achieved overnight. It took long months to procure equipment, get it to project areas, install it, train local technicians to operate it, and work out new production techniques. But the slow, patient job of reconstruction is paying off in tangible results.

There is mounting evidence of the success of the international partnership. For example: Larger stocks of Korean-made cotton yarn, paper, cement and other goods are being placed on the market by factories rehabilitated with UNKRA help; Coal production in UNKRA-assisted mines was 100,000 tons higher in the first half of 1955 than in the first six months of 1954; Korean farmers can expect to harvest 20,000 additional tons of rice each fall

as a result of UNKRA-aided irrigation projects already completed; New boats are carrying more crews to fishing grounds, and their catch is being processed more efficiently in canneries and markets modernized with UNKRA financial aid; More than 12,000,000 elementary school textbooks have been turned out by a new, modern printing plant established jointly by the Korean Government, UNKRA and the United Nations Educational, Scientific and Cultural Organization, and some 200,000 students are attending school in classrooms built or repaired with UNKRA-imported materials; Medical facilities have been added, nursing schools provided with teaching aids, orphanages enlarged, and hundreds of new-type, low-cost homes built in other UNKRA-aided projects.

The Republic is now firmly on the road to reconstruction, but the journey is not yet ended. One big problem is that too many of everyday needs must be met with high-priced imported goods. The answer lies in greater production from Korean factories, fisheries, farms and mines, and much of UNKRA's current program is designed to achieve that goal.

In the textile industry, for example, UNKRA first provided three South Korean mills with 55,440 spindles that are already adding substantially to the country's supply of cotton yarn. Now, as more weaving equipment is needed, UNKRA is buying looms to speed up cotton cloth production in five mills.

The Agency will also furnish equipment for the country's first worsted yarn spinning mill, a new woolen and worsted dyeing and finishing plant, and rehabilitation of a spinning plant to process hemp and flax.

To increase the production of cement vitally needed in the country-wide rebuilding program, UNKRA first set out to repair war damage at South Korea's only major plant, at Samchok, and expand its capacity from 60,000 to 100,000 tons a year. This work is now nearly completed and, as a second step, the Agency has launched its largest project to date—a \$7,800,000 new cement factory at Mungyong that will turn out 200,000 tons a year.

Like cement, more glass is needed by the Republic's growing industries, and UNKRA is now constructing a plant at Inchon to produce flat glass.

In other enterprises, UNKRA equipment is being used to boost local output of paper, salt and wire.

While aiding large-scale basic industries, UNKRA is also helping small firms expand production of a wide range of daily necessities: soap, canned foods, matches, starch, paint, drugs, rubber goods. More than 700 businessmen have received UNKRA loans enabling them to replace machinery, modernize plants and buy raw materials. They are a good risk, UNKRA has found, for 531 of them have already repaid their loans in full.

Before Korean industry can hope to satisfy local needs and produce goods for export, it must have far more coal for power, fuel and transportation than was available even before the war. After the invasion many mines were closed—machinery looted, shafts caved in—and few trained technicians were available to get the industry back on its feet.

At the Government's request, UNKRA is providing thousands of tons of new mining machinery—jackhammers, air compressors, hoists, mine locomotives, coal cars, rails and loading equipment—and a team of British experts to work side by side with Korean miners in modernizing techniques.

Now the production graphs are rising, sharply and steadily. In one mine alone, the figures jumped from 3,500 tons in June 1954 to 8,900 tons in June a year later. A five-year plan calls for more than tripling the prewar coal output by 1960, and so far the monthly targets for the UNKRA-aided mines are being overshot by thousands of tons.

For millions of South Korea's people, economic success or failure is closely tied to the rice harvest from broad green fields or tiny paddies in the pockets of hills. But the harvest may be ruined by searing drought or washed out overnight by summer floods.

One of UNKRA's high-priority jobs has therefore been to harness the rain and hold it back for use as needed.

So far 100 irrigation projects—dams, canals, pumping stations—have been completed with UNKRA materials and bulldozers. As a result, some 60,000 additional acres of land have a controlled water supply that is expected to double the rice crop from those fields, on the average, and increase it by as much as five times in some areas. Still under construction are 157 projects that will place another 30,000 acres under irrigation.

Once the sixth largest fish-exporting country in the world, Korea has traditionally relied on seafood for four-fifths of the protein in its diet. After the invasion, however, the catch fell sharply. Boats lay damaged and deteriorated, many fish spoiled without ice, and thousands of persons normally employed in port businesses were idle. The fishing industry has been coming back to life. Boatyards are throbbing with activity as Agency-imported lumber is converted into fishing boats. So far, 53 new vessels have been completed, some of them with the aid of UNKRA loans and technical advice, and 31 others are under construction; hundreds of other boats have been repaired. In addition, UNKRA has brought in ten new 77-ton fishing trawlers from Hongkong, designed especially for deep-sea fishing beyond crowded inshore waters. Crews are busy fitting older craft with new engines, sails, nets, diving apparatus and other supplies made available by the Agency and purchased by individual fishermen, many of them through UNKRA loans.

Other port enterprises—canneries, ice houses, cold storage plants, fish markets—are operating at capacity following installation of new UNKRA machinery. At one cannery factory in Pusan, the manager recently reported that daily production is now triple the prewar figure.

When the invasion receded and UNKRA came in with the United Nations Civil Assistance Command (now the Korea Civil Assistance Command) to help the Republic of Korea dig itself out of the ruins, one of the most urgent needs was for aid to education. Two-thirds of the country's classrooms had been destroyed or damaged; 80 per cent of the school texts and teaching materials had been lost; university libraries were without books, laboratories without scientific apparatus; many teachers had been killed or carried away.

In one of its largest programs, UNKRA has brought in millions of board feet of lumber and thousands of tons of cement for the construction or repair of nearly 4,000 classrooms in 1,100 schools. So far, the work has been finished in about half of the schools and is under way in most of the others.

To restore teaching materials, UNKRA imported some 34,000 books for nine university libraries; laboratory apparatus for students of chemistry, physics, agriculture, forestry, medicine and nursing; and educational films on modern technical subjects.

The Agency helped equip a new National Textbook Printing Plant near Seoul which is rapidly achieving its capacity of 30,000,000 books a year—enough for all the elementary students in the Republic.

In other educational activities, UNKRA helped bring an American Education Mission to Korea to train teachers and work out revised courses of study in line with the needs of a newly independent nation; has granted scholarships enabling Korean scientists and other specialists to obtain advanced training abroad; and has set up a Foreign Language Institute in which 1,000 teachers and students have improved their knowledge of English and other languages.

This year, with more and more skilled craftsmen and engineers needed for Korea's growing industries, UNKRA is emphasizing development of technical training schools in representative parts of the Republic.

In Pusan, for example, a new vocational centre built and equipped with UNKRA aid is training some 1,900 day and night students in machine shops, an electrical shop, a carpentry shop and civil engineering laboratories. Other UNKRA equipment is now being installed or will be imported to expand similar schools in Seoul, Taejon, Kwangju and Mokpo and a fisheries training school in Yosu.

In many fields of the Republic's economic and social life, the scars of aggression are being healed with the courage, energy and good humor of the Korean people and the help of friends around the world.

The heritage of war remains, however, for refugee families still living in stick-and-canvas homes on barren hillsides, for the maimed and sick, for thousands of orphans and hundreds of thousands of widows.

For them, a return to normal life will be a long story, but a beginning is being made with housing, health and welfare programs worked out jointly by UNKRA and the Korean Government.

As a step toward replacing the makeshift shelters in many cities, UNKRA is providing materials for some 9,000 low-cost homes. Based on traditional Korean designs—tilted roof, plastered outer walls, radiant-heated ondol floors—the dwellings are built of earth-and-cement blocks that save scarce lumber and resist fire, heat and cold.

One of the country's leading medical centers, the Taegu Medical College and Hospital, was reopened in May 1955 after complete rehabilitation in which UNKRA provided \$1,145,000 for materials, modern medical equipment, and

supplies. Now more than 300 students are enrolled in the medical college, 200 are receiving nurses' training, and an international medical team is working with the Korean staff to re-establish modern hospital services and teaching methods.

Now hope for disabled veterans, crippled children and other handicapped civilians is offered by the UNKRA-aided National Rehabilitation Center at Tongnae which provides physiotherapy, prosthetics services, vocational training in skilled trades, and help in finding employment.

Orphanages in six cities caring for some 700 children have been expanded or rehabilitated with UNKRA-imported materials in the past year, and other materials are being provided for 50 additional child-care institutions.

The Agency has also imported or ordered more than 500 sewing machines and 500 hand-knitting devices for 69 workshops where widows with dependent children can be trained and employed in Korean handicrafts.

In other health and welfare projects, UNKRA has granted more than a million dollars to date to international voluntary agencies operating hospitals, children's homes, and special services for widows, the aged and the handicapped in Korea.

In rural areas nearly 100,000 families have benefited from UNKRA-aided community self-help activities. Villagers have voluntarily donated some 600,000 man-days of labor to improve local wells, roads, bridges, sanitation facilities, irrigation canals and flood-control dikes.

The Agency's work will be carried on through 1956 and, in some of the larger projects, into 1957 and perhaps 1958.

Through the current fiscal year a continuing stream of UNKRA-purchased goods will arrive in Korea at the rate of \$2,000,000 a month: more cement and steel, rock drills and cedar logs, hospital supplies and ice-making equipment, looms and paper mill machinery, fishnets and mine locomotives.

Like other UNKRA shipments already sent into every province of the country, the new materials will be put to use in projects planned and carried out jointly by the Agency and the Republic of Korea as part of a master blue-print for reconstruction.

The Agency's program is being paid for out of a total of \$139,000,000 contributed so far by 39 governments in a United Nations effort to help a neighbor in need.

IMPERIALISM (Continued from Page 489)

been and still is in the process of being converted into political freedom.

This gradual adjustment, made possible by an elasticity of the mind, which I believe is specially British, and which the Communists lack. All life, and all imperialism too, being subject to the law of constant change, the rigidly doctrinaire, inflexible Communists violate a first principle of life. In addition, as the next article will show in detail, they suffer from an irreparable contradiction. It is the one between promise and performance, the one being an "ideal", the other a quite ordinary fact of human nature. It is to hide this glaring discrepancy that the iron curtain is absolutely indispensable to the maintenance of a communist regime anywhere.

To ask Molotov for its abolition is equivalent to asking him to saw off the branch of power on which he is sitting.

In any age, the record of imperialism is twofold. On one hand we have the beliefs of the imperialists in their mission and its lucrative results; on the other hand, we have the sufferings of the victims. The basic mental traits and its physical consequences show little change. What has changed in our age is the size of the stage; Lenin left no doubt about it that the communist conquest was to embrace the whole globe.

The second and third (last) part of the essay on Imperialism, entitled respectively "The Communist Imperialism of Today" and "The End of Imperialism" will be published in the two following issues of the Review.

PEKING'S USE OF TRADE GUILDS

The traditional Chinese Guilds always kept out of politics or anything remotely approaching it, and left the Chambers of Commerce to handle public matters. But every trade or craft had its own organised guild, and they were of great importance behind the scenes. It was typical of the astuteness of the Communists that they made use of this tradition in order to transform private industry and commerce not by individual enterprises, which have been a long and complex task, but by single trades. The guilds would therefore have the difficult job of deciding what to do with the backward or poorly equipped members of each particular trade and what enterprises had to be absorbed or liquidated. What is more, they could be depended upon also in assisting to solve the problems of livelihood of those who were "axed."

Transformation, as a matter of fact, began by stealth long ago, when the first Socialist or National Trade Corporation and other State bodies took control of all the threads and arteries of trade and commerce through State organizations and the co-operatives, until industries depended almost wholly on State orders and upon State commercial bodies and co-operatives for distribution. When the time came for the transformation of private enterprises into joint concerns, they had been living on State orders for some time. The recent transformation thus followed readily on the steps that had gone before: orders for processing goods and manufactured products from State bodies; unified purchase of products; underwriting of the sales of products, agencies and commission agencies, as well as the conversion of individual enterprises before the general conversion by whole trades into joint ownership.

The new stage in transformation of capitalist industry had been promoted by the strengthening of the planning nature of national economy, and by the "marked exposure of the internal contradictions" within capitalist enterprises. The carrying out of conversion of whole industries and trades into joint ownership facilitated unified planning by the State and enabled the State the better to implement the policy of comprehensive planning and over-all arrangements, economic reorganization, and transformation trade by trade. This will enable the more rational employment of man power and material resources within a trade, between different trades, between public and private interests and between different areas, and "the fullest promotion of the potentials of private enterprises so that the labour conditions and living amenities of the workers and employees will be further improved."

The question naturally arises whether conversion by whole trades will be equal advantage to the capitalists as to the State. The answer of the Communists is that the answer is likewise definite. They argue that after conversion the production and management of all enterprises are basically placed on the orbit of State planning and such difficulties as have arisen—some factories not fully engaged in production and some stores lacking stocks—will be solved. Secondly, after conversion of an entire trade, the nature of the enterprise is changed, democratic management takes over, and labour-capital relations which could not be solved during private ownership cease to be major problems. Thirdly, distribution of profits will be carried out on the basis of fixed rates of interest, and whether the enterprise makes a profit or suffers a loss, the State is responsible for granting the capitalists the interest payments fixed. Fourthly, after conversion the personnel on the private side will all

be "properly provided for. They will be able to take part in concrete work, and in the course of work study new things and new ideology, and obtain better conditions to reform themselves, to be gradually turned into glorious labourers."

The Communists also argue that conversion will be of advantage to the capitalists themselves and to capitalist industry and commerce. They will have no trouble from labour or from the State and party, and to those who work and study to contribute to Socialism the future will be a bright one. Capitalists connected with trades wholly converted "all express satisfaction." Some of them in Shanghai said that "in the past, individual conversion into joint ownership was like crossing a river by a sampan, but now conversion by the whole trade may be compared to chartering a whole vessel for the crossing." Capitalists of many medium and small factories are represented as being "particularly enthusiastic," because they had despaired of being taken over. The partners in one cotton mill are quoted as saying that they had been "worrying from morning to night that our enterprise would be just edged out of existence."

Of course, there were "mistaken conceptions" and therefore "mistaken acts." Some of the larger and advanced factories, even though ready to be taken over, did not want to take along with them small and backward factories facing difficulties, for fear they would be a burden. They expressed the desire to be amalgamated only with good factories. There were others who basically did not consent to amalgamation and wanted to operate singly and maintain their structure intact. They urged that all small factories with difficulties should be closed down. There were likewise some small factories who did not want to amalgamate with large factories for fear they would be eventually swallowed up and deprived of any status after amalgamation. They demanded union with equals, on the ground that "it is better to be the mouth of a chicken than the behind of a cow." In the past, though they were small concerns, they were their own masters. Others feared that after amalgamation they would not obtain good treatment. Some capitalists took the chance to withdraw funds, post their private partisans in jobs, and in the valuation of assets and fixing of share capital, failed to uphold the principle of "fairness and rationality and practicability." All these mistaken ideologies and work styles said the Communists, had to be criticised and stopped. But having taken this line it was admitted that the industrialists and merchants required a great deal of persuasion and education before they could see the light, though they were assured that on the principle of "the large helping the small, the advanced leading the backward," all would share prosperity, capital funds would be properly employed, and personnel would be well provided for. This, said the Communists, was different in nature from the capitalist formula of economic reorganization whereby the big fish swallows the small fry. It was also admitted that while the conversion of whole trades was a good method, there would be plenty of difficulties. "Due to the backwardness of capitalism itself," said the Tientsin *Ta Kung Pao*, and its complex nature, and because of our lack of experience, it is necessary to attend to the task with proper planning, step by step and with full preparation."

And while the regime prepared for the conversion of the bigger enterprises in the cities—a process which began in Peking, and then spread gradually in the wake of the "liberation" to Shanghai, Wuhan, and Canton—the transformation of rural private traders was also being taken up.

“FIXED INTEREST” FOR PRIVATE SHARES IN CHINA’S JOINT ENTERPRISES

Detailed conditions have been published for the payment of annual interest ranging from one to six per cent, for private shares in enterprises which have changed over to joint enterprises. It will be paid quarterly but only during the period of joint operation. There appears to be no guarantee whatever that if the enterprise is socialised in two or three years interest payments will continue. The “beaming faces” will alter their contours accordingly, no doubt! Different or similar rates of interest may also be fixed for different areas and trades, in accordance with the requirements of the State plan and the people’s living standards, and in the light of the specific conditions of various trades and enterprises. For each trade in the same area, an identical rate of interest may be fixed. If really necessary, several different rates of interest may be fixed. Joint enterprises which do not fix interest rates for the time being may divide the interest of their share holdings according to the principle of profit division prescribed in the provisional regulations of the GAC of September, 1954.

An article in the Tientsin Ta Kung Pao points out that after interest is fixed, the capitalists can no longer directly control the enterprise. Ownership rights over production materials belonging to the capitalists are reflected only in the fixed interest they are entitled to. This will better facilitate the State in making over-all plans for private industry and commerce, and in accordance with the methods of the large enterprises leading the small ones, and the advanced enterprises leading the backward ones, in carrying out reorganization and transformation. The State may then, in accordance with the demands of the planned development of national economic, rationally distribute social production tasks in different parts of the country, so that industrial enterprises may be distributed among areas near to raw material districts and consumption districts. The State may also carry out an adjustment of industrial enterprises on a nation-wide basis, in accordance with the economic characteristics of different districts, and under the principles of the fullest use of local raw materials and the comprehensive development of the economy of various areas. The State may also make a corresponding adjustment of the over-all commercial network, for the convenience of consumers. Thereby the fullest utilization of manpower and material

resources is possible, and greater economy effected in the investments of the State.

Secondly, the system of fixed interest enables enterprises to carry out production and management in accordance with Socialist principles and methods and to promote further the enthusiasm of the workers. Joint ownership enables the State directly to participate in leadership, and production relationships inside the enterprises will no doubt undergo a great change, while they will be put on the track of State planning and “blindness” in management will be eliminated. After interest is fixed, the capitalists will be assured of a fixed amount irrespective of profit or loss. Profits will all be turned over to the States, which the workers will realise and thus stimulate their enthusiasm.

Thirdly, the system will reduce or even eliminate disputes over processing fees and tax payments. The previous standards for the computation of fees and profits did solve many disputes but it was a comparatively abstract standard and easily gave rise to different interpretations and to disputes. Production costs differed in different factories and in different areas the middle (average) standards are also different. As to tax payments, the major question is the computation of the income tax. There have been many disputes but all these questions are expected to be solved with the adoption of the fixed interest system.

Moreover, it is contended, while shareholders are guaranteed a fixed interest earning “during a specified period,” the grabbing of excessive profits is prevented in the course of the rapid development of the enterprises after the change over. Also capitalists now take part not as capitalists but as ordinary workers, under the leadership of the State. “This will facilitate the individual transformation and create conditions for them to become in the future labourers who really abandon exploitation and live on their own toil.”

The system is not entirely new. Some joint enterprises, like the tin mines of Kweiping in Kwangsi and the Chapei Water and Electricity Company of Shanghai, have long since adopted the system of paying interest to private shareholders, sometimes at the demand of the shareholders themselves, by mutual agreement, and the approval of the local authorities. The private shareholders of these enterprises annually have access to a fixed amount of interest and shoulder no responsibility for the profits or losses of the enterprises. The overwhelming majority of the private shareholders (debenture holders?) support these measures. This shows that the method of paying fixed interest is not only necessary but entirely practical. Some of the capitalists, however, do not understand the system. Some still have doubts and anxieties. The article says nothing of the nature of these but it may be assumed that they are all afraid—in these days when sudden splurges afflict the powers that be in Peking and events are sharply and unexpectedly telescoped—that after payment of fixed interest for a year or two the shareholders will get nothing at all and the enterprises will become “fully Socialist.”

In the meantime the standing committee of the fellow-travelling China Democratic National Construction Association held a conference of families of industrial and commer-

A Conference of the All-China Federation of Supply and Marketing Co-operatives in Peking mapped out an over-all plan, and fixed the speed of transformation. It was reported that there are 2,670,000 private merchants in the rural areas, and plans were made to transform nearly 900,000 of these in different forms before the end of 1955. Forty per cent of them were to adopt the main transformation forms of co-operative stores and stores (purchasing and marketing on a consignment basis), under the joint operation of supply and marketing co-operatives and the private merchants. The rest (60%) were to become agencies or agency teams. It was estimated that after one year’s work the 1,100,000 cadres in the basic level co-operatives of this category had become well aware of the policy of transformation of private merchants and had accumulated experience. Private merchants, after being transformed, had shown superiority in the business management which in turn encouraged the small private merchants to take the path to Socialism.

cial circles to report summarily the conditions and experiences in accepting Socialist transformation by themselves, as well as in encouraging, assisting and promoting acceptance of Socialist transformation by their relatives. Families attended the conference from all the major industrial cities, from Peking, Tientsin, Shanghai and others, together with committee members of the Association, representatives of the Women's Federation and other bodies. The Chairman of the Association and the Chairman of the Federation of Industry and Commerce and other officials expressed the hope that the families of industrialists and merchants would endeavour to learn and to influence their relatives to accept Socialist transformation and to "strive for a bright future."

If the capitalists are worrying just how long or how short their fixed interest will be paid and joint ownership be turned into sole State ownership, the more backward industries have equal cause to worry how long they will survive the process of transformation. Some were bluntly told beforehand that the State were not interested in them, and they will go to the wall. Most of the backward industries are so because of out-of-date or worn out machinery and inferior management. Some operate a thousand miles from their sources of raw material and will have to go. In any industry that survives, if the machinery is too old, it must be replaced with new equipment—and that's quite a poser for a dispossessed capitalist. There is also the target. Some get there and some don't, and in the emulation campaigns, as in the wash, the conditions come forth.

The fashion has already developed of contrasting unit costs, production, and general efficiency even of the undertakings now wholly owned by the State. Quality of product as well as quantity output is also compared in a new spirit of rivalry and competition rather different in objective from that which existed before. Nor is it an easy problem to dispose of. Two different attitudes were recently noted by the Party papers. One was to tolerate the backward and find various excuses for them. An industry may be backward now, it is said, but it is much better than it used to be a few years ago. Another attitude is to eliminate the backward industry and personnel right away. The decision either way is left to the leaders, and their business, they are told, is to back up the advanced things and criticise the backward, to

push on the backward which can be helped to advance and to popularise the "advanced experiences." Backward units have no right to feel complacent and have their own way: that is "an abnormal phenomenon." Where a really advanced unit is discovered in any industrial system, it should be adopted as a model for all the rest in the region.

The transformed industrialist, in turn, is expected to mingle with target-set production the business of experimenting in new products. "Trial manufacture and production of new products," says the dictum, "is a very important technical policy in connection with the Socialist industrialisation of the country, as well as a hall-mark of industrial production. It is the process of learning and mastering new technique, raising the technical level of enterprises and cultivating the ability of independent designing and manufacturing. These experiments, it is urged, should now proceed at an accelerated pace as an urgent and glorious task."

To begin with, industrialists must acquaint themselves with the needs of development of the national economy in all spheres and work out for each enterprise a plan for developing new products over a long period of time, setting forth the varieties, specifications, quantity and steps of trial manufacture and production. Scientific research and experiments as well as designing work in the industrial departments are to be strengthened and technical preparations completed for trial manufacture and production of new varieties. Sufficient technical personnel should be detached for this research work and to perfect designing.

A system of rewards is also recommended for the creation of new products. This new work involves many difficulties. The leading departments of industry are looked to, to treasure every achievement by their subordinate enterprises and regularly give them encouragement. Expenses spent on trial manufacture of new products may in general be excluded from production cost. These rewards should supplement those for industries that have met their schedules. Purchasers should co-operate by giving the manufacturers due time to make their preparations. As Chairman Mao Tse-tung has said, the country is carrying out two revolutions: in the social system from private to communal ownership; and technically from handicrafts to modernised machine production.

ECONOMIC SURVEY OF TAIWAN

(By United Nations Economic Commission for Asia Secretariat)

The inflationary pressure arising from large defence expenditure and budgetary deficit was in a large measure offset by United States aid imports, as well as by increased production made possible mainly through local efforts in developing industry and agriculture and through the import of capital equipment and raw materials under government procurement and the US aid programme.

The considerable decline in 1954 of export earnings from two major commodities, sugar and rice, made it necessary for the government to reduce the exchange allocations for private import after September 1954, which in turn contributed to the upward movement of prices in the spring of 1955.

From a long-run standpoint, the rapid increase of population for an agricultural economy like Taiwan's is serious, in view of the fairly full utilization of the existing land resources. Industrialization showed promise of providing

an outlet for the surplus population during 1952 and 1953, when the index of industrial production rose annually by about 30 per cent. The latter index rose more slowly in 1954 and early 1955, however, owing to the full utilization of existing capacity and the increasing difficulty of installing new capacity. In a review of the current situation the government states that "the problem of finding new employment opportunities remained very serious," and that "the government relies on the economic development freely supported by the people for creating new employment opportunities for the increase of the population."

POPULATION GROWTH, ECONOMIC DEVELOPMENT AND UNITED STATES AID

Taiwan is officially reported to have had a population of 8,749,000 at the end of 1954 and in addition, an armed force of 650,000 and an indeterminate number of persons

falling under the "unreported" category. The population in early 1952 was placed at 9.2 million by the United States Mutual Security Agency Mission to China, and at 9.5-10 million in a report to the Joint Commission on Rural Reconstruction prepared in May 1953. If the considerable omissions under the present system of household registration are taken into account, Taiwan has probably an all-inclusive population of 9.5 million. With an area of 35,961 square kilometres, of which only 8,740 square kilometres or 24 per cent is cultivated, Taiwan has a population density of 264 persons per square kilometre of land or 1,086 persons per square kilometre of cultivated land, which is the highest in East Asia except for Japan and South Korea.

Aside from its very high density, Taiwan's population is characterized by a very high rate of natural increase. While the government gave for 1954 a crude birth rate of 43.84 per thousand and a crude death rate of 8.02 per thousand, or a rate of natural increase of 35.82 per thousand, the actual rate of natural increase may be nearer to 3 per cent per annum, because of the possible under-estimation of the death rate, especially of the infant mortality rate. This high rate of natural increase, which has been attributed to the persistence of the family system and the prevalence of the rice economy requiring large manpower during seasons of peak activity, has resulted in a smaller proportion of population in the working ages between 15 and 64—56.2 per cent in 1950 as compared with 59.6 per cent in Japan, 64.6 per cent in the United States, and 73.6 per cent in Sweden.

Since 1945, immigration from the mainland has become another important source of population growth. Nearly all former Japanese residents were repatriated; the transfer of administration was followed by the arrival of moderate numbers of Chinese during the early post-war years, and later by an influx during 1949-1950, on a scale never before equalled, of people from the mainland. During 1947-53 there was registered a total net immigration of 610,649 persons from the mainland, of whom 443,738 or 72 per cent were reported to have entered during the two years 1949-50. This total would have been more than doubled if the officially estimated armed forces of 650,000 and other "unreported" persons had been included.

This rapid population growth, caused generally by the high rate of natural increase but aggravated by the post-war influx of mainland immigrants, imposes a severe strain on the existing land resources of the province, which are fairly fully utilized.

In the face of the serious economic strains entailed, the government has undertaken, with US Aid, to implement the Four-Year (1953-56) Plan for Economic Development, with the objective of raising both agricultural and industrial production, especially the latter.

The Four-Year Plan anticipates a 23 per cent increase in the combined value of agricultural and industrial production from 1953 to 1956.¹ The increase from 1952 to 1953 is estimated at 18 per cent. The total proposed rate of increase in agricultural and industrial production is thus 39 per cent for the four-year period.

The Four-Year Plan calls for a capital investment of NT\$4,811 million plus US\$159 million, or a total capital investment of NT\$8,753 million if the dollar investment be converted at the official rate of \$1 = NT\$24.78. This estimate of the capital investment required during the four-year period to implement the proposed 39 per cent increase in the value of agricultural and industrial production is

modest, as it would appear to indicate an incremental gross capital/output ratio of 1.57. However, in Taiwan, as contrasted with other developing areas, the basic services such as power and transport were already considerably developed during the Japanese occupation. Moreover, much of the capital investment for industry is for the expansion of existing plants, which generally requires less capital outlay than does the erection of new plants, and 27 per cent of the total is allocated to agriculture, for which the capital/output ratio is usually much lower than for industry.

The Economic Stabilization Board has recently made an estimate of the sources of capital funds for the proposed industrial investment under the Four-Year Plan. According to the estimate, of a total industrial investment under the Four-Year Plan equivalent to NT\$6,257 million, domestic capital accounts for only 18 per cent, while 82 per cent is to come from abroad—mainly from US aid (US\$135 million or NT\$3,345 million under aid and NT\$1,410 million under counterpart fund), but also some from foreign and overseas Chinese investment (US\$14 million or NT\$347 million).

Large-scale US aid to Taiwan began with the fiscal year 1950 (1 July 1949 to 30 June 1950). During the fiscal years 1951-1955, the amounts of US aid annually authorized by the United States Congress were approximately \$93 million, \$86 million, \$106 million, \$108 million and \$138 million. For FY 1956, there is however a reduction to \$102 million.

During the four-year period (FY 1951-54) a breakdown of the proposed distribution by uses shows that while so-called direct military aid claimed over one-fifth of the total US aid, the other four-fifths were used to fill the gap in payments and budgetary deficits through the import of civilian and military-support goods, and to assist development. In addition to the dollar development aid, a counterpart fund (in local currency) was built up through the sale of the commodities imported. A rough classification of these commodity imports during these years indicates that producer goods occupied 61 per cent, as compared with 39 per cent for consumer goods. The proportion for producer goods in total aid imports tended, however, to decline from 71 per cent in 1950 to 68 per cent in 1951, 66 per cent in 1952 and 55-56 per cent in 1953-54.

PRODUCTION

Agricultural production

With the post-war rehabilitation and development of industry, agricultural (including forestry and fishery) production occupied a steadily declining share in total net domestic product; it fell from 42.7 per cent in 1946 to 33.1 per cent in 1954, with a corresponding rise in the share of industrial production from 14.4 per cent to 26.4 per cent during the same period. The value of agricultural production also rose much less rapidly during the first two years (1953-54) of the Four-Year Plan than the value of industrial production, the rate being 22 per cent for the former as against 49 per cent for the latter.

The share of crop production in total agricultural production reached 68.7 per cent in 1954, and is estimated to rise slightly to 69.4 per cent in 1955. The main crops include rice and sweet potato for domestic food consumption, and sugar cane, fruits (bananas and pineapples) and tea for export. Limited quantities of wheat and raw cotton are produced for processing by domestic industries which, how-

ever, have to depend upon imported materials as the major source of supply. By stepping up local production, Taiwan has since 1953 become nearly self-sufficient in jute for making gunny bags. Taiwan has always produced sufficient quantity of tobacco leaves for local needs, but small import of high-grade tobacco leaves is still necessary for mixing with local leaves to make high-grade cigarettes.

Production in 1955 is planned to rise above the 1954 level for all crops except banana for which the export prospect is limited. The over-all rate of increase in value is estimated at 5.7 per cent. The production of minor crops such as wheat, peanut, soybean, jute and tobacco is expected to be raised more rapidly in order to reduce imports and conserve exchange.

In the first half of 1955, sugar production rose to 615,000 tons, or 17 per cent above the corresponding level reached a year before. Sugar-cane farmers were formerly under the impression that the price of sugar would always be higher than or at least equal to that of rice, as it was in some years in the past. Prior to 1953, the Taiwan Provincial Government did announce a guaranteed collection price at parity with rice to ensure adequate supply of sugar cane required for refining. Owing to the slump in the world sugar price, however, the government had to pay out heavy subsidies in 1953, partly in two-year maturity bonds in order to avoid inflation. Thenceforth, the guaranteed collection price of sugar was dissociated from the price, and was set at NT\$1,400 per ton for the 1953/54 crop, raised to NT\$1,800 for the 1954/55 crop, and to NT\$2,000 and NT\$2,150 for 1955/56 and 1956/57 crops respectively. As the cane growers are allowed to retain up to 20 per cent of the total for their own use and domestic sales and the unit yield has improved, growers still maintain a fair return. The 1954/55 crop unit yield reached an all-time high of 10.49 tons per hectare, surpassing the pre-war record of 1932 by 0.25 ton. This record was attained through favourable weather, use of the new variety NCO:310 (first introduced to Taiwan in 1946 from Natal, South Africa, to shorten the growing period from 16 to 12 months), and extension of cultivation by ratooning.

Rice production reached the record of 1.7 million tons in 1954, as compared with the pre-war (1938) peak of 1.4 million tons. In 1955, because of spring drought in the northern and central parts of the island, the first crop of rice showed some decline, to 695,000 tons, which however is expected to be partly offset by an increase of 21,000 tons above the target of 944,300 tons for the second crop. This spring drought, however, has helped the government to reach an early decision to undertake the construction of the Shihmen dam for irrigation and other purposes.

The 1954 yield of paddy, 2,185 kg per hectare, was still below the pre-war (1938) peak of 2,242 kg, owing to the extension of cultivation to less fertile lands and lower application per hectare of chemical fertilizers (623 kg in 1938 but 580 kg in 1954). However, the improvement in irrigation (especially the system of rotational irrigation during the period of drought), the extension of the "ponlai" variety to 52 per cent of the area under rice, government assistance to cultivators in building about 10,000 cement drying grounds, and effective pest control all contributed to the increased rice production in 1954.

Industrial production and problems

In post-war years there has been a rapid rehabilitation and development of industries in Taiwan, owing to the inflow of United States aid, and of capital equipment and technical personnel from the mainland. During the period of re-

habilitation (1946-1952), the index of industrial production rose by 51 per cent in 1949, 10 per cent in 1950, 9 per cent in 1951, and 35 per cent in 1952. With the implementation of the Four-Year Plan it went up further by 31 per cent in 1953, by 5 per cent in 1954, and by 8 per cent in the first half of 1955 compared to the corresponding period a year earlier.

The 1953 and 1954 targets for industrial production under the Four-Year Plan were in most cases reached and, as a result, the 1956 target set in June 1954 by the Industrial Development Commission is taken by the government as the 1955 target. Indeed, production in 1954 exceeded the 1956 target figures for several major industries: cotton yarn by 5 per cent, cotton fabrics by 67 per cent, sugar by 7 per cent, salt by 15 per cent, wine by 19 per cent, and cigarettes by 3 per cent. All these are consumer goods industries, sugar and salt being mainly for export. Other industries, such as hydrochloric acid, petrol, fuel oil, exceeded the 1956 target figures by about 5 per cent.

Taiwan industries are faced with a number of problems associated with shortage of capital, import of raw materials, shortage of power during the drought season and expansion of transport facilities. The government policy for the promotion of private enterprises represents a new departure and will affect the industrial structure of Taiwan.

Shortage of capital

External capital requirements are met mainly by United States aid, and only to a very limited extent by foreign and overseas-Chinese investment. In order to promote foreign and overseas-Chinese investment in industrial development, the government promulgated statutes in the second half of 1954 to permit remittance of (1) annual profits up to an amount equivalent to 15 per cent of the capital, and (2) original capital, after two years, at an annual rate not to exceed 15 per cent of the original capital. It also accords the same treatment to foreign enterprises as is accorded to similar enterprises operated by Chinese nationals. However, the possibility of requisition or expropriation after 10 years from the date of establishment of joint Chinese-foreign enterprises with 51 per cent or more of foreign capital tends to bar foreign investors from active participation in joint ventures. It is estimated that total investment from foreign and overseas-Chinese investors have thus far added up to less than US\$10 million.

Reinvestments of profits by public enterprises are estimated to reach NT\$100-150 million per year, and new investments out of private savings about NT\$250 million. During the years 1949-53, the amount of capital investment out of loans from the Bank of Taiwan and profits for the enterprises under the Ministry of Economic Affairs, totalled NT\$1,137 million. From 1954 onwards, the Bank of Taiwan has refrained from extending such loans. All capital investment for government enterprises either has to be derived from approved loans extended by US aid and private foreign sources, or requires special permission from the government for withholding the distribution of profits.

While a part of the counterpart fund has been used to finance the government's budgetary deficit, a total sum of NT\$954 million has been used as loans to finance local currency requirements or development projects. On 4 August 1955 a bilateral agreement was signed with the United States Government by which local currency proceeds from the sale of US\$20 million worth of US surplus agricultural commodities are used for making loans for the development of Taiwan industries, especially small industries. After three years,

loans are repayable over a period of 40 years and bear an annual interest of 4 per cent.

Government appropriations for development have been limited; according to the estimate of FOA, the total funds appropriated during 1950-53 by both the National and Provincial Governments for economic development amounted to only NT\$687 million, of which very little was used for the construction of plants or purchase of equipment. Owing to other urgent budgetary requirements, the government has not been able to earmark any portion of revenues for capital investment under the Four-Year Plan.

The shortage of domestic capital has given rise to a high-interest burden on industrial and other enterprises, which is heavier for private than for public enterprises. In August 1955, for example, while public enterprises paid a monthly interest of 0.99 per cent to the Bank of Taiwan, private enterprises had to pay a monthly rate of 1.8 per cent to the three commercial banks, whose business operations are related mainly to the financing of trade rather than industry, and monthly rates of 3 per cent for secured and 4 per cent for unsecured loans from private money-lenders. With a view to encouraging private deposits, the Bank of Taiwan and other banks have since 1952 introduced a deposit system with preferential interest rate, under which the monthly rate of interest is 1 per cent for 1-month deposits, 1.1 per cent for 3-month deposits, 1.3 per cent for 6-month deposits and 1.6 per cent for 1-year deposits.

Import of raw materials

The extent of the need for import of industrial materials in Taiwan is shown in a recent government study. According to that study, of the 60 items of industrial materials required for the implementation of the industrial projects under the Four-Year Plan, only 18 can be wholly supplied locally. The 9 items whose annual import value is estimated to exceed US\$1 million include, in the order of importance, the following, for which the estimated annual average import value required is indicated in million dollars: raw cotton 17.9, crude oil 10.1, wool 3.0, iron and steel 2.9, tallow 2.0, leather 1.5, scrap iron 1.3, rubber 1.2, phosphate rock 1.1. Together, the 9 items call for an average annual foreign-exchange outlay of US\$41 million, or US\$164 million over the Plan period, which constitutes 80 per cent of the total foreign-exchange outlay of US\$202 million for the 42 items of imports taken together.

Locally available materials can be obtained freely from the market. These include coal, sulphur, soda ash and sodium bicarbonate which used to be purchased by government agencies at fixed prices and resold to end-users in such quantities as were determined in accordance with their reported requirements, as well as carbon black which used to be allotted by the Taiwan Supply Bureau and sold through the Chinese Petroleum Corporation. Industrial salt is handled by the Salt Administration.

Power and transport facilities

During the post-war period 1946-54, while industrial production showed an eight-fold rise, power generation rose by only 3.8 times. The inadequacy of power supply for the island is aggravated by the dependence upon hydro-electric power, which, while supplying 87 per cent of the total power generated in 1954, fluctuates considerably—the April 1955 production was only 62 per cent of the August 1954 production. As a result, whenever there has been a drought the government has had to take steps to restrict the use of

electricity, first in March 1949, then in the winter of 1951 and spring of 1952, again in September 1954, and finally in March 1955.

Under the Five-Year Power Development Plan it is planned to raise the installed capacity of 330,000 kW at the end of 1952 to 630,000 kW by the end of 1957, an increase of 90 per cent. The share of hydro-power capacity in total generating capacity will be reduced from 83 per cent in 1952 to 71 per cent in 1956, in order to diminish the fluctuating effect of hydro-power supply on industrial production.

Rapid industrial development calls for an expansion of transport facilities, especially railways and shipping. Taiwan's railways, concentrated mainly on the west coast, are operated by three government enterprises, namely, Taiwan Railway Administration (TRA), Taiwan Sugar Corporation (TSC) and Taiwan Provincial Forestry Administration (TPFA). The TRA lines, with 775 kilometres on the west coast and 175 kilometres on the east coast, are main lines serving the general public, while the TSC (2,456 kilometres) and TPFA (309 kilometres) lines are feeder lines respectively for sugar-cane and timber transport, although 631 kilometres of TSC and 170 kilometres of TPFA lines also provide passenger traffic to the general public. TRA's East Coast, TSC and TPFA lines all have a narrow gauge of 0.762 metre, while TRA's West Coast Line has a broad gauge of 1.067 metres.

Freight traffic in 1956 for TRA's West Coast Line, the most important line in Taiwan, is estimated to be 38 per cent above the 1952 level, owing to an anticipated rise in local traffic based on increased domestic production of fertilizers and installation of new steam power plants. It is estimated that passenger traffic in 1956 on this line will be 34 per cent greater than in 1952.

Shipping tonnage in Taiwan is inadequate to meet existing requirements. According to an official survey in October 1955 the 249,000 gross tons of ships in operation consisted of 27 ships with 135,000 gross tons for ocean going, 32 ships with 87,000 gross tons for near seas, and 27 ships with 27,000 gross tons for coastal trade. Most of these ships are over-aged, with the exception of 1 Victory, 7 Liberties, and 8 Cimavi's.

With the estimated 24 per cent rise in Taiwan's tonnage of imports and exports from 2.92 million tons in 1954 to 3.64 million tons in 1956, it is estimated that approximately 300,000 g.t. of operational tonnage will be required, for which it is proposed (1) to increase the efficient operational dry-cargo tonnage to 163,000 g.t. by the addition of 96,300 g.t. of both coastal and ocean-going freighters and (2) to replace the 3 over-age ocean-going tankers by 2 new ones with approximately 38,000 g.t., so as to raise the total tanker tonnage to 49,000 g.t. This plan is to be implemented during 1954-57, through (1) construction of 15 vessels of 90,500 g.t. by the Taiwan Ship-building Corporation, and (2) purchase from abroad of 6 vessels with 43,800 g.t.

At the end of June 1955 the merchant fleet was reduced by further scrapping to 82 vessels with a total gross tonnage of 250,000. Twenty-three of the vessels were ocean-going, 2.1 million tons of freight were carried by the fleet in 1954, and the load for 1955 is estimated to be about 2.2 million tons.

In Keelung and Kaohsiung, two main ports in Taiwan provided with modern cargo handling equipment, cargo handling efficiency has been steadily improved during the

last four years through a 60-70 per cent reduction in the average turn-around time of ships to less than two days. For completion in 1955 are a 10,000-ton grain elevator equipped with handling machinery, a special cargo pier providing 20,000 square metres of water area and a berth for 20,000-ton class vessels in Keelung, and a 280-meter deep water pier and a new 6,000-ton salt shed with conveyors and dredging work to permit the entrance of vessels of 32 feet draft at Kaohsiung.

At the end of June 1955 there were 15,680 kilometres of roads—1,460 kilometres provincial, 2,820 kilometres county, 10,520 kilometres rural, and 880 kilometres city roads. Of these 1,400 kilometres were of bituminous and concrete pavement while the balance were gravel surfaced. Major development work accomplished includes the 302-kilometres bituminous pavement of the north-south trunk line on the west coast linking up many populous cities and towns of economic importance.

At the end of June 1955 there were 2,320 buses, 4,560 trucks and 4,120 passenger cars. Regular bus services were maintained on 1,830 kilometres of trunk lines by the Provincial Highway Bureau, and on 5,340 kilometres of county and rural roads by 17 private bus companies. The passenger traffic in 1954 rose by 31 per cent over 1953; in the first half of 1955 it rose by 28 per cent over the corresponding period in 1954. 150 diesel buses were put into operation in 1955 to replace buses with gasoline engines. Freight services were maintained by 452 truck operators all over the Island. Although Taiwan has its own refineries to produce gasoline and other refined petroleum products from imported crude oil, the rapid increase in crude oil consumption in recent years has caused the government to adopt some measures of restriction on gasoline purchase and on issuing of new vehicle licenses starting in August 1955.

Promotion of private enterprises

Over three-fifths of the value of industrial production is contributed by the public sector, following some decline in this share from 66 per cent in 1951 to 60 per cent in May 1955.

Public enterprises in Taiwan are mostly former Japanese enterprises taken over by the government after 1945, but a few were transferred from the mainland during 1949. Of the 42 public enterprises operated independently by the Central or Provincial Government or jointly by the two governments at the end of 1953, 24 were in industry, mining and agriculture, and 18 in trade, finance and others. As a result, many of the major industries in Taiwan today are government monopolies, including public utilities (power, water), chemical fertilizers, sugar, salt, wine, aluminium, crude petroleum products. On the other hand, private enterprises dominate in coal, iron, flour, edible oil, cotton textiles, rubber products, soap and timber.

A beginning is being made in the promotion of private enterprises by the transfer of four industrial enterprises to private ownership and operation, in connexion with the implementation of the 1953 "Land-to-the-tiller" programme. Under this programme, landowners, in selling their land above the retention limit of three hectares of medium-grade paddy field to the government, will receive payment for 30 per cent of the sale price in the form of stocks of the four government enterprises—Taiwan Pulp and Paper Corporation, Taiwan Industrial and Mining Corporation, Taiwan Agricultural and Forestry Development Corporation, and Taiwan Cement Corporation.

Following the promulgation of the "Regulations governing the transfer of public enterprises to private enterprises" on 22 January 1953, the four enterprises, whose net worth was revaluated by a government evaluation board in late 1952 and early 1953, issued through the Land Bank to the 100,000 former landowners, from March to September 1954, stock shares of NT\$10 par value amounting to NT\$660 million. Formal transfer took place when the first shareholders' meeting was convened, on 23 October 1954 for the Taiwan Cement Corporation, on 15 November 1954 for the Taiwan Pulp and Paper Corporation, on 10 March 1955 for the Taiwan Agricultural and Forestry Development Corporation, and on 16 March for the Taiwan Industrial and Mining Corporation. While cement and paper corporations, producing single products, have been maintained intact under private operation since the transfer, the 23 units producing tea, pineapple and fishery products (including refrigeration plants) and livestock farms under the Taiwan Agricultural and Forestry Development Corporation and the 37 units producing cotton and silk textiles, machinery, bricks, soap, paints, oxygen etc. under the Taiwan Industrial and Mining Corporation are being sold individually to private shareholders as independent enterprises.

TRADE AND PAYMENTS

A 9 per cent rise in imports, coupled with a 25 per cent decline in exports which resulted mainly from a 34 per cent fall in the volume of exports of two major items, sugar and rice, brought a trade deficit of US\$21 million to Taiwan in 1954, as compared with a trade surplus of similar magnitude in 1953.

The trade deficit of \$21 million, the FOA imports of \$88 million and a negative balance of \$28 million for the invisibles, were financed by the FOA grant of \$93 million and the export of over \$1 million of non-monetary gold, thus leaving a negative balance of \$43 million in 1954 which was covered by decline in short-term deposits abroad (\$25.51 million), unpaid balance from bilateral trade with Japan and France (respectively \$8.85 million and \$0.83 million), direct investment (including imports with self-provided exchange) (\$6.8 million), etc.

In 1955, however, the monthly value of imports fell by 22 per cent during the first half of the year, while the monthly value of exports rose by 6 per cent, thus bringing a monthly trade surplus of \$3.3 million. These changes were attributable to the following factors and steps taken to improve the trade and payments situation.

Increase in sugar quota

Under the International Sugar Agreement, effective from 1954 to 1958, the export quota of 600,000 tons assigned to the Republic of China was reduced by 20 per cent to 480,000 tons in 1954, owing to excess of world production over consumption; but with the emergence of the USSR and some other countries of eastern Europe as buyers in the world market and the consequent lift in prices, 1955 quotas for the Republic of China were increased in April and again in June, to 575,416 tons. Sugar export reached 483,000 tons during the first nine months of 1955 as compared with an estimated production of 733,000 tons. In November the Republic of China proposed to withdraw its membership from the International Sugar Council.

New tariff policy

On 15 January 1955 was promulgated a new import tariff, which abolished the conventional tariff with its most-

favoured-nation clause, and introduced: (1) protection to newly-established industries in Taiwan (e.g., tariff rates were raised on cotton textile imports from 20-30 per cent to 40 per cent, on hydrochloric acid from 80 per cent to 100 per cent, on bleaching powder from 40 per cent to 80 per cent, on calcium chloride from 25 per cent to 50 per cent, on caustic soda from 25 per cent to 35 per cent); (2) lower tariff rates on imports of industrial raw materials (rates on ores of all kinds were reduced from 5-7.5 per cent to 5 per cent, on galvanised iron from 22.5-30 per cent to 20 per cent, on glycerine for industrial use from 25 per cent to 17.5 per cent) and on essential commodities; and (3) higher tariff rates on luxury and semi-luxury imports (on cocoa and coffee, rates went up from 50-70 per cent to 100 per cent, on cigarettes and cigars from 100 per cent to 160 per cent).

Tightening in exchange and trade control

Effective 1 March 1955 new exchange and trade regulations were promulgated with a view to promoting exports and restricting imports. The multiple-exchange system was modified through the introduction of an exchange certificate, and was applied to a small portion of total exports and total imports excluding US aid imports. Under the new system exporters in selling their foreign-exchange proceeds to the Bank of Taiwan receive an exchange certificate, in addition to the equivalent local-currency value at the official rate (unchanged at NT\$15.55 per US dollar), and importers are required to produce a certificate, in addition to paying the equivalent local-currency value to the Bank of Taiwan (at the official rate of NT\$15.65 per US dollar) and the defence surtax of 20 per cent (or NT\$3.13). The certificate rate for exports varies with the kind of exports and the degree to which imported raw materials are used; principal exports such as sugar, rice, salt and refined products from crude petroleum, all operated by government enterprises, do not earn any certificate. This partial certificate system gives rise to an official import exchange rate of NT\$18.78 plus the certificate rate and a series of official export exchange rates of NT\$15.55 plus the varying portion of the certificate rate for different exports excepting sugar, rice, salt and refined products from crude petroleum. Applications for import licences are screened under an import-exchange allocation system. The certificate rate was fixed on 8 March 1955 at NT\$6 per US dollar by a government-appointed committee, with a view to controlling the certificate rate instead of letting it fluctuate freely according to market conditions. The certificate price varied between NT\$6 and NT\$15 to the US dollar, but was stabilized at around NT\$6 in early June.

Under the new regulations, the import-allocation system based upon past volume has been abolished. Instead, applications for imports are screened according to a set of criteria related to the degree of scarcity of the foreign currency required, price of the imports, preference for having importers trade in one single category, possession of an exchange certificate, etc. The administration of the new regulations is now placed under the Central Government, instead of the Provincial Government as hitherto, with the Foreign Exchange and Trade Control Commission being given the functions of formulating policies and plans, screening the use of foreign exchange and co-ordinating it with US aid.

An import exchange budget is prepared each year for release at two-month intervals of the import exchange and outward remittances required for purposes other than the following: (1) import of commodities by government

agencies, (2) purchase of foreign exchange by public enterprises not entitled to have foreign-exchange certificates at the time of settling foreign exchange for their exports (sugar, rice, salt and refined products from crude petroleum) or by those of a monopolistic nature but having no products for export, (3) import of supplies for specific industrial development projects of the government, and (4) import of essential daily necessities. For the first half of 1955 the actual exchange allocation reached US\$21.5 million, as compared with a total commercial and US aid import of \$85 million. One-fifth of the actual exchange allocations was used to pay for industrial raw materials, while four-fifths were for general commercial imports. The settlement of foreign exchange in accordance with the import-exchange budget has to be accompanied by an exchange certificate.

Other export-promotion measures

An Export Subsidy Account is maintained with proceeds generated by sales of certain designated high-profit import items handled by the government trading agencies. Under special approval by the Industrial Development Commission, the proceeds in this account are used to subsidize special export items whose sales abroad result in a loss even with the benefits of exchange certificates. The government also arranges credit facilities for the selected export items. As a further step towards export promotion, regulations for rebate of taxes levied on raw materials used in the manufacture of export goods were promulgated in July. Constant attention is paid by the authorities concerned to improving the quality of the export goods, to lowering the cost of production, to finding new markets, and to promoting those industries which do not require imported raw materials for their production.

Taiwan's trade has been mainly with Japan, ECAFE sterling-area countries (particularly Hongkong and Malaya) and the United States, which together accounted for four-fifths of the total imports and exports in 1954. Japan alone accounted for 50 per cent of Taiwan's exports and 55 per cent of Taiwan's imports.

Trade with Japan is conducted according to bilateral agreements. The latest agreement, effective 1 April 1955, raised the target annual value of trade each way from the previous figure of \$74.5 million (as agreed upon in June 1953) to \$94 million, with the same swing account limit fixed at \$10 million. The trade agreement with France was extended to another year on 15 April 1955, with an annual trade goal of \$10 million each way.

MONETARY AND FISCAL DEVELOPMENTS

Government revenue and expenditure

In Taiwan, there are three budgets—the central, provincial and local. The total estimated expenditure of NT\$5,161 million for the three budgets during the fiscal year beginning 1 July 1954 was allocated among the three levels of government in the following proportion: central 55.7 per cent, provincial 18.6 per cent, and local 25.7 per cent. The central budget provides for national defence and the administrative expenses of the national government. The estimated deficit of NT\$503 million, or 17.5 per cent of the total estimated net expenditure for the central budget, was to be financed as follows: US aid counterpart fund NT\$240 million, subsidy from provincial government NT\$148 million, national bonds NT\$83 million, and sales of national property NT\$31 million.

The major components of Central Government revenue and expenditure, as well as the methods of financing the deficit for the last four fiscal years, can be gauged from the recently-published accounts. From 1950 to the first half year of 1954 the share of defence in total government expenditure declined from 80 per cent to 66 per cent, thus reducing the proportion of annual budgetary deficit in the total expenditure from 36 per cent to 12 per cent and slowing down the annual rate of rise in prices. The budget estimate for the fiscal year 1954/55 showed however a rise in the share of defence in total expenditure again to over four fifths, with a rise in the deficit to 16 per cent of the total expenditure. The main sources of financing the deficit during the period were US aid counterpart funds and credit and loans from the Bank of Taiwan.

The share of tax revenue in total revenue had shown a steady rise from 57 per cent in 1951 to 94 per cent in the first half of 1954; the situation in the fiscal year 1954/55 seems to have remained unchanged. Major taxes included customs duties, whose declining share in total revenue was offset by the increasing importance of taxes on transactions and consumption, mainly owing to the transfer since 1953 of a part of the monopoly profits from the provincial to the central treasury. Other revenues, chiefly receipts from State enterprises and properties, declined in importance.

The Provincial Government expenditure is largely for economic and social services and subsidy to local governments, while its revenue is derived mainly from monopoly profits and taxes. Income tax, inheritance tax, stamp duty, defence surtax are divided in varying proportions between the Central and Provincial Governments, while land tax, business tax, etc. are collected by the Provincial Government. The provincial budgetary deficit is financed by aid from the Central Government, contribution from provincial enterprises, and sale of provincial property.

Local governments derive their revenue from deeds tax, house tax, butchery tax, restaurant tax, amusement tax, household tax, business and vehicle licences, etc.; they receive aid from the Provincial Government to finance their deficit.

Monetary and price movements

Over the period 1949-55 as a whole the trend has been for money supply to rise most rapidly, with loans and

discounts catching up with money supply and rising at a higher rate after 1951. Wholesale prices rose more slowly than money supply, especially after 1951. The cost of living generally lagged behind wholesale prices.

This slower rise in wholesale prices and cost of living than in money supply and loans and discounts was accounted for by the rapid increase in production, industrial more than agricultural, from 1952 to 1953. In 1954 and the first half of 1955, as noted, the production increase slowed down—industrial production rising at an annual rate of around 5 per cent in 1954 as compared with 30 per cent in 1953; in June 1955, with money supply and loans and discounts rising at the higher annual rate than in 1954, both wholesale prices and cost of living went up and brought about a mild crisis in the spring months of 1955. In November, food prices, especially of rice, rose further, owing mainly to higher rice export than in 1954, and rice rationing was introduced in the four cities of Taipeh, Keelung, Tainan and Kaohsiung.

But for the continued inflow of US aid from 1949 onward, prices would have risen at a much higher rate than they did. In May 1955, while industrial production and wholesale prices rose, respectively, to 236 and 243 (1950 = 100), loans and discounts and money supply shot up to 528 and 385 respectively. US aid was also responsible for lowering the Central Government's budgetary deficit, from 36 per cent of the total expenditure in 1951 to 24 per cent in 1952 and 16 per cent in the fiscal year 1954/55.

The price rises in the spring of 1955 may be explained by several factors. The most important were the reduction in import exchange allocations from September 1954 onward, which in turn caused a substantial increase in market prices of imports, and the atmosphere of uncertainty arising from speculation regarding the government's intention of changing the existing system of trade and exchange control. As previously noted, the latter change occurred with the promulgation of new measures on 1 March 1955. The earlier reduction in import-exchange allocations was necessitated by the fall in the government's foreign-exchange holdings in 1954, resulting from a drastic decline in the export of two major commodities—sugar and rice.

A PLAN FOR AGRICULTURE IN HONGKONG

1. Introduction

Agriculture and fisheries are the two chief primary industries in Hongkong, but the fishing industry of the Colony has made relatively greater progress. In order to promote the welfare and to increase the standard of living of the farmers and to increase the production of rice a plan to develop agriculture is necessary. The plan presented below can be summed up in four points, viz:

(i) to provide better transport facilities in more remote parts of the New Territories and thus to increase the area of arable land; (ii) to improve the irrigation system; (iii) to promote credit, educational and medical facilities to the farmers; and (iv) to undertake systematic agricultural research.

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2. Transport

The most important point is transport which plays an essential role in the development of agriculture. Looking at the map of the New Territories, one thing strikes one most, that is that the north-western part is densely populated, while the north-eastern part, as well as the eastern part of the New Territories, is comparatively undeveloped and is scarcely inhabited. This results from the fact that all the roads concentrate in the middle and western parts of the New Territories, while the eastern and north-eastern parts are devoid of road facilities. The first thing that invites attention is to improve the transport facilities of these undeveloped parts of the New Territories. This can be done by the following steps.

(a) Sai Kung Road which connects Sai Kung with Kowloon City is very narrow, permitting single traffic only; it terminates at Sai Kung. To develop the eastern part

of the New Territories, the widening and lengthening of this road is essential. It should be so widened to allow double traffic, and at the same time the road should be lengthened to connect with Ma On Shan, the iron mining centre in the Colony, via Sha Kok Mi, Tai Wan, Ki Lung Ha, Tai Tung, and to terminate at Shatin. On the completion of this road the eastern part of the New Territories would become more accessible and pioneers might develop it.

(b) Another road should be built along the foot of Pat Sin Leng to connect it with the existing Shataukok Road. In this way the efficiency of transport facilities in the north-eastern part of the New Territories would be increased.

(c) There are many small harbours in the eastern part of the New Territories but they have no piers. To supplement road transport, water transport should be developed by building piers. Further, the restrictions on the sale of oil, which is essential to motor junks, should be relaxed to some extent, allowing the fishermen there to buy oil easily. Ferry services could operate between this area and Shatin or Tai Po. At present only two ferry services are available, one operating between Ma On Shan and Shatin, the other between Tap Mun and Tai Po; but the timetables, especially the latter, are not suitable. A third ferry service should be in operation between Tai Po and the eastern part of the mainland. The number of existing ferries could be increased, to enable farmers to move more conveniently. The area of cultivated land will then be increased and so will production.

3. Irrigation

The existing irrigation system is not very satisfactory; floods and droughts often occur. Though Hongkong, under the influence of the Monsoon, receives an average rainfall of about 84" per annum, the rainfall is not evenly distributed and precipitation takes place mainly in the hot season. This can be remedied if an efficient irrigation scheme is adopted. Moreover, rice fields fringing the sea are liable to be flooded by sea water. Dams should be built across the rivers in their upper courses, the badly eroded area should be reafforested to prevent soil erosion and preserve water supply and (to some extent) to prevent flooding. Wells should be dug, with assistance from the Government, and water channels should be built along those existing rivers which had experienced floods. Furthermore, modern concrete seawalls should be built under the supervision of Government to prevent sea water from flooding the fields.

4. Credit Facilities

At present most farmers use nightsoil as their chief fertilizer, but nightsoil is not efficient and does not give satisfactory results. It must be supplemented by chemical fertilizers. As the farmers are so poor that they cannot afford to purchase expensive chemical fertilizers, though they may well know that these would yield a higher return, this situation can best be met by providing them with credit facilities.

The Kadoorie Agricultural Aid Association, in a most generous and charitable manner, has provided credit facilities to farmers and the community owes a great debt of gratitude to the Kadoorie brothers for their benevolence and public spiritedness. But the generosity of the Kadoorie brothers is not enough to assist the farming population in the N.T., and it could not possibly be so as private citizens, even as benevolent as the Kadoorie brothers are, could not take care of so great a problem as providing agricultural

credit. Another benevolent aid exists in the form of the J. E. Joseph Trust Fund* which help is confined to members of co-operative societies. It would seem that the establishment of an agricultural bank is necessary.

The functions of an agricultural bank would be four-fold:—(i) to provide credit facilities to farmers. (ii) to provide insurance facilities for farmers and their cattle. This is important because cows are the most valuable property of the farmers. (iii) to encourage farmers to save. If farmers are free from high-rate interest loans, they can make some saving and will probably put their money in a bank which gives them interest. (iv) to help financially to establish co-operative societies.

5. Schools

Compared with pre-war, educational facilities in the New Territories have considerably improved. Before the War there were about 150 primary schools; at present, the number of schools exceeds 250, and, in addition to primary schools, there are 10 secondary schools. However the schools cannot meet the present requirement, as the population in the New Territories has increased. Most schools are poorly equipped and not always suitable as school buildings. Above all, there exists lack of middle schools. Many rural students have to seek their education in the urban areas. More primary schools should be built, especially in such districts where the population is increasing. Un Long Middle school, now accommodating about 200 students, should be expanded. Another middle school at Tsun Wan, and an English secondary school at Yuen Long could be established, and private Chinese citizens are called upon to finance these schools.

There is also a lack of kindergartens. Again, private Chinese citizens may consider financing such institutions and Government, that is the tax payer, will then also contribute towards the promotion of young children's education. Generally, promotion of education is very much the responsibility and the duty of the residents; to look always to Government for help would seem to reveal passivity on the part of the Chinese citizens themselves.

6. Medical Facilities

Lack of medical facilities is seen everywhere. Pok Oi Hospital in Un Long is providing accommodation for 36 patients. In addition to Pok Oi Hospital, medical institutions where farmers can seek medical assistance are nine Government dispensaries and the large modern health centre at Tsun Wan. Though they provide valuable services, they cannot meet the whole demand and should be further extended. Only three of the eleven medical establishments, excluding St. John Hospital, Cheung Chau, have resident doctors.

7. Research

A research unit concerned with agriculture should be set up. There is already a Fishery Research Unit subsidized by the Government. This unit could be established in co-operation with the University of Hongkong. The problems to be studied would include: animals and plants, heredity, improvement of qualities, soil, fertilizers, irrigation, erosion and its remedies.

— Lam Ho Chuen

* The farmers are all Chinese, mainly Cantonese and Hakka. Agricultural credit has been provided by non-Chinese individuals. The Kadoorie brothers have greatly aided farmers and continue to assist them. The late Mr. Joseph, from whose estate so many farmers have benefited and continue to benefit, has proved a benefactor of the rural population. No Chinese philanthropists have come forward with aid schemes to alleviate the credit needs of the Chinese farmers. (Ed.)

HONGKONG SHIPPING

Ocean and River Steamers over 60 tons net Entering and Clearing the Port in February, 1956

	February						Total (Jan.-Feb.)	
	Entered		Cleared		Entered		Cleared	
	No.	Ton	No.	Ton	No.	Ton	No.	Ton
British	223	416,987	217	402,727	474	928,966	466	902,127
American	18	100,896	19	113,262	39	220,780	39	220,780
Burmese	—	—	—	—	2	5,690	2	5,690
Cambodian	1	557	1	557	1	557	1	557
Chinese	12	3,246	12	3,186	22	6,280	21	6,418
Danish	16	53,719	14	47,883	35	115,202	33	109,366
Dutch	17	67,155	19	77,153	35	150,489	35	150,489
Finnish	—	—	—	—	1	2,531	1	2,531
French	8	30,982	6	28,480	16	65,832	14	63,330
German	3	15,745	3	15,745	7	35,918	7	35,918
Indian	1	2,749	1	2,749	1	2,749	1	2,749
Japanese	27	84,665	27	84,665	56	171,541	56	171,541
Italian	1	6,585	1	6,585	1	6,585	1	6,585
Korean	2	1,870	2	1,870	4	3,740	3	2,750
Liberian	2	4,246	2	4,246	5	10,614	5	10,614
Norwegian	36	99,443	34	97,091	71	197,458	69	195,672
Panamanian	11	16,585	7	11,856	20	29,840	15	24,318
Philippine	3	5,426	2	4,681	4	9,756	3	9,011
Pakistan	1	4,297	—	—	1	4,297	1	4,306
Portuguese	1	3,958	1	3,958	1	3,958	1	3,958
Swedish	8	22,628	9	26,913	17	49,244	17	49,244
Turkish	—	—	—	—	1	2,291	1	2,291
Vietnam	—	—	—	—	1	1,586	—	—
Yugoslavian	1	1,759	1	1,759	1	1,759	1	1,759
Total	392	943,498	378	935,366	816	2,027,663	793	1,982,004

HONGKONG AVIATION

Air Traffic in February, 1956

Points of Call	Departures			Arrivals		
	Passengers	Freight (Kilos)	Mail (Kilos)	Passengers	Freight (Kilos)	Mail (Kilos)
United Kingdom	134	5,528	3,339	84	13,039	6,704
Europe	98	3,446	909	107	4,919	885
Middle East	156	2,476	2,203	107	1,686	912
Calcutta	117	2,046	730	154	720	401
Rangoon	80	4,934	496	97	275	315
Bangkok	901	10,756	845	627	5,098	2,278
French Indochina	630	30,817	716	511	11,640	546
Singapore	450	9,502	4,325	378	2,754	2,674
Philippine	1,116	7,775	1,656	1,193	1,705	908
Australia	89	2,341	297	46	1,170	204
United States	301	7,452	2,845	62	3,581	2,497
Honolulu	67	583	120	44	78	115
Canada	186	486	571	53	261	166
Japan	1,145	6,248	11,909	1,257	7,985	3,205
Formosa	432	28,252	1,339	543	1,425	1,016
Korea	94	4,523	405	55	149	156
Macau	—	6,616	—	—	—	—
Okinawa	49	7,736	81	121	387	3
Total	6,045	141,517	32,786	5,439	56,872	22,985
Direct Transit	817	14,697	—	817	14,697	—
Total Aircraft Departures	= 285.					
Total Aircraft Arrivals	= 286.					

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

For the week of 9th to 14th April 1956

U.S.\$

April	T.T.		Notes		Notes	Gold Market		
	High	Low	High	Low		High	Low	Macau
9	\$586½	\$585½	583½	583		9	\$254½	253½
10	586½	586½	583¾	583		10	254½	254½
11	587	586½	584	583		11	255½	254½
12	587	586½	584½	583½		12	255¾	254½
13	588	587	585½	584		13	255½	255
14	587	586½	584¾	583½		14	255½	254½

D.D. rates: High 586 Low 583½.

Trading totals: T.T. US\$2,970,000. Notes cash US\$602,000 and forward US\$1,750,000, and D.D. US\$415,000. The market was quiet with rates settled and rallied a little on lower cross rates in New York. In the T.T. sector, gold and general importers were good buyers, while offers came from Korea, Japan, Indochina, and the Philippines. In the Notes market, speculators were not active but shippers were buying because their profits yielded about three points. Interest for change over favoured sellers and amounted to \$2.65 per US\$1,000. Speculative positions taken figured at US\$1½ million per average day. In the D.D. sector, the market continued active though the Easter season is about over.

Yen: There was little business recorded in fictitious forward. Cash quotation was \$1,500 per Yen 100,000. Change over interest fixed at \$9.10 to \$10.70 per Yen 100,000 in favour of buyers. Forward rates \$150—155.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.84—1.82, Japan 0.0148—0.014675, India 1.155, Malaya 1.879, Vietnam 0.06802—0.06756, Thailand 0.2724, Canada 5.85. Sales: Pesos 380,000, Yen 110 million, Malayan \$340,000, Piastre 11 million, Baht 6 million. The market turned quiet.

Chinese Exchange: People's Bank Yuan notes quoted at \$1.60 per Yuan. Taiwan Bank Dollar notes quoted \$159—158 per thousand, and remittances at 151—149; the market was deadly quiet.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.84—15.78, Australia 12.25, New Zealand 13.92—13.80, Egypt 15.15, South Africa 15.55—15.54, India 1.185—1.1825, Pakistan 0.905, Ceylon 0.90, Burma 0.49—0.48, Malaya 1.842—1.841, Canada 5.845—5.83, Cuba 4.50, Philippines 2.0175—2.015, Switzerland 1.35, West Germany 1.35, Italy 0.92, France 0.0144—0.01435, Vietnam 0.077—0.073, Laos 0.087—0.084, Cambodia 0.077—0.0745, Indonesia 0.181—

0.177, Sandakan 1.50, Thailand 0.265—0.262, Macau 0.995.

Gold Market

	April	High .945	Low .945	Macau .99
	9	\$254½	253½	
	10	254½	254½	Low 265½
	11	255½	254½	
	12	255¾	254½	
	13	255½	255	266½ High
	14	255½	254½	

The opening and closing prices were \$253½ and 255, and the highest and lowest were 255½ and 253½. The market was on the steady side on heavy demand for export, which was a record high for one week in recent years. Interest for change over favoured sellers and amounted to 59 cents per 10 taels of .945 fine. Trading totalled 35,040 taels or at a daily average of 5,840 taels. Speculators took positions of 23,000 taels per daily average. Cash sales amounted to 35,990 taels, of which 8,990 taels registered and 27,000 taels arranged. Imports came from Macau and totalled 32,000 taels. There was no arrival in Macau. Exports were 43,000 taels (22,000 to Indonesia, 11,000 to Singapore, 4,500 to Rangoon, 2,500 to India, 1,500 to Vietnam, and 1,500 to Korea). Differences paid for local and Macau .99 fine were \$13.00—12.70 and 12.60—11.80 respectively per tael of .945 fine. Cross rates in the Exchange were US\$37.93—37.90 per fine ounce; 11,200 fine ounces were contracted at 37.91 C.I.F. Macau. US Double Eagle old coins and new coins quoted at \$253 and 224.50 respectively per coin. Mexican gold coins quoted at HK\$271.50—270.00 per coin.

Silver Market: The market was very quiet and prices were of no change. Bar silver quoted at \$6.15 per tael with 500 taels transacted, \$ coins quoted at \$3.90 per coin with 600 coins transacted, and 20 cent coins quoted at \$2.98 per 5 coins.

Chinese Native Banker's Market Report: Strong demand and low stock stimulated prices for gold and US dollars to peak levels on Friday. In spite of the firm Sterling rates, T/T continued to improve under keen demand from importers and gold merchants. Notes enjoyed very strong demand from shippers and speculators. About 50,000 ozs of gold were exported during the week while no arrivals were registered causing stocks to dwindle. Meanwhile, cost of gold advanced with the increase in T/T rates and indent prices. On Saturday, however, both gold and US dollars registered a decline due to the slow-down of demand from importers and speculators. The increase of US bank rates on Friday also affected slightly quotations for US dollars and gold in the local market. On the whole prices were at their lowest on Monday, advanced to peaks on Friday and eased on Saturday to points higher than those for the previous week. The undertone was firm because demand for gold remained strong particularly from India; cost of gold in international market registered increases last week; T/T rates were firm. However, chances for further increases are handicapped by the expected arrival of gold in Macau; expected im-

ports here from Macau; and firm Sterling rates. US dollars are not likely to advance much further because supply from SE Asia, particularly countries receiving US aids, remained abundant.

Hongkong Prosperity

With the favourable turn in international politics local investors find new encouragement in planning ever more ambitious ventures. All over yields are receding gradually but capitalists are not dismayed by this trend. The tempo of new building, which is very fast, is not affected by the several thousands of empty flats and other vacant accommodation; landlords can afford, apparently, to wait until a buyer or tenant turns up, and meanwhile the number of vacant houses and apartments is rising. Redevelopment in central and eastern districts on the Island, and in many parts of Kowloon, is proceeding well and the appearance of many sectors of the city is suffering greatly from the demolition work, scaffolding, construction hubbub going on.

Overseas Chinese funds continue to be received here; the anti-Chinese sentiments in Far Eastern countries are inducing many residents there who do not wish to assimilate themselves to the new countries to rather send their capital to Hongkong than to continue to keep it invested in one of the "South Seas" territories. The authorities and the people in the "South Seas" take a growingly dim view of this trend. However Hongkong remains oversupplied with capital and this situation will continue for some time.

Further development of industry here is the principal aim of the bulk of new investors, including local people. The future of trade with China is not generally believed to be bright and no wishful thinking to the contrary will change the hard facts of Peking. One may also conclude that in our time the services of an entrepot are dispensable when commercial development in a formerly backward country such as China have changed. But entrepot business there will be but more with other countries than with China, and Hongkong can assist China by promoting sales of made-in-China goods and produce to the rest of the world.

The general standard of living of the people here has remarkably improved, and the trend to spend more and ostentatiously is strong indeed. There are many charitable institutions which make their researches into the "lower income groups" and the indigent people's lives and when they announce their findings the public might be misled into believing that general conditions are unfavourable. Nothing can be further from the truth. Hongkong

as a community is very well off and could rather support other and less fortunate people's economies; the various grants made by certain foreign agencies to aid this or that development of Hongkong seem out of place. Attention is again drawn to the fact that the local entertainment industry is so large that no other place in Asia—Japan always excepted—can even faintly compare with it.

HONGKONG SHARE MARKET

The market was very active last week and the turnover totalled \$6.14 million. HK Banks enjoyed keen demand; 240 shares changed hands and prices gained \$20 during the week. Union Ins. advanced by \$22.50 but trading was restricted by the lack of selling offers. About 2,300 shares of Yaumatis were transacted but selling pressure forced prices down by \$.3. Star Ferries lost \$.4. Interest was also centred on Wheelocks, Providents, Lands, Hotels, Cements, Dairy Farms, and Utilities. Trading on Tuesday was most active with prices of many popular shares touching peak levels of the week but the selling pressure which developed on Thursday depressed many quotations towards the end of the week:

	April 6	Last Week's Rates			Ups or Downs
Shares		Highest	Lowest	Closing	
HK Bank	1665	1685	1665	1685	+\$20
Union Ins.	960	982.50 b	965 b	982.50 b	+\$22.50
Wheelock	8.35	8.40	8.30	8.35	steady
HK Wharf	74 b	XD 73.50	75 b	XD 73.50	+\$3.50
HK Dock	36.25	36.75	36 b	36 b	—25¢
Provident	13.50 b	13.80	13.60	13.60	+10¢
Land	61	62	61	61	steady
Realty	1.45	1.50	1.40 b	1.50 s	steady
Hotel	14.10	14.10	13.80	13.80	—30¢
Trams	22.80	22.90	22.60	22.60	—20¢
Star Ferry	135 n	132 s	130 b	131	—\$4
Yaumati	103	102	100	100	—\$3
Light (o)	22.30	22.80	22.20	22.30	steady
Light (n)	19.60	20.10	19.30	19.60	steady
Electric	29.80	30.75	30	30	+20¢
Telephone	22.70	23.30	22.80	22.80	+10¢
Cement	34	34	33.75	33.75	—25¢
Dairy Farm ...	17	17.10	XD 15.70	XD 15.70	—20¢
Watson	11.20	11.40 s	11.20	11.30	+10¢
Yangtsze	6.60 n	6.50	6.45	6.50	—10¢
Allied Investor ..	5.10 s	5.20 s	5 b	5.20 s	+10¢
Amal. Rubber ...	1.55	1.575	1.55	1.575 s	steady

HONGKONG AND FAR EASTERN TRADE REPORTS

Trading with S.E. Asia remained brisk during the fortnight. Japan maintained active purchases of China produce, while Taiwan showed keen interest in pharmaceuticals and industrial chemicals. Exports to Europe consisted mostly of China produce and local manufactures. China was interested in pharmaceuticals and chemicals but purchases were very selective. Korean trade appeared to have improved, but exports to the Philippines remained slow.

Trade Restrictions: Vietnam set up new regulations governing imports from Hongkong; pro-forma invoices and certificates of origin are now required. Singapore prohibited imports of live animals from India, Pakistan, Ceylon, Burma, Indochina, China, Japan, and Hongkong. India raised the import duty on torchlight and sub-jected vegetable oils to export duty.

Freight: The freight rate for wheat flour from Australia to Hongkong was

Monday: In a day of moderate activity, prices were well maintained. Electrics, China Lights and Hongkong Banks moved fractionally higher. The turnover amounted to approximately \$1.47 million. Tuesday: Buyers were again in evidence and prices further improved. Cements were most active; 13,000 shares changed hands at \$34. H.K. Electrics and Hotels were also in good demand. The undertone was firm. The turnover amounted to approximately \$1,842,000. Wednesday: The market ruled steady with prices well maintained. H.K. Banks, Union Insurances and Lombards were very popular. The turnover amounted to approximately \$917,000. Thursday: Banks and Wharves were well supported but Utilities sagged. The market closed steady with a turnover of about \$1.06 million. Friday: Quiet conditions prevailed on the closing day. The turnover amounted to approximately \$850,000.

DIVIDENDS

China Lights declared an interim dividend of 30 cents for old shares and a pro rata dividend on new shares.

The Hongkong Rope Manufacturing Co., Ltd. announced a dividend of 50 cents per share.

The Hongkong & China Gas Co., Ltd. declared a final dividend of HK\$3 (3s. 9d.) per share for 1955.

increased from 150/0d to 161/6d per short ton.

China Trade: A Cambodian economic mission reached Peking to promote trade relation. China bought 60 tractors from UK and arranged to purchase substantial quantities of raw cotton from Egypt and Pakistan. Among China's exports, there will be 150,000 tons of coal for Pakistan. H.K.'s imports from China remained heavy while exports showed a slight improvement in shipments of pharmaceuticals and industrial chemicals.

Taiwan Trade: Taipei abolished export floor prices for tea in order to encourage exports. Taiwan's sugar exports in 1955 totalled 571,553 metric tons; during Jan.-Mar. this year, exports already reached 470,000 metric tons. In the local market, Taiwan provided strong demand for pharmaceuticals and industrial chemicals. Imports from Taiwan consisted mainly of sugar, citronella oil, and other farm produce.

Japan Trade: Japan signed a new trade agreement with Thailand. Japan will process about US\$13 million worth of raw cotton for Indonesia. Hongkong was the leading buyer of Japanese cotton yarn and piecegoods in the first quarter this year. Other Japanese products reached this market included metals, machinery, paper, and sundries. China produce constituted chief exports to Japan from here.

Korea Trade: Tenders were invited by Korea for the supply of various kinds of phosphates. Exports from here to Korea improved with the arrival of more letters of credit for paper, fibre yarn, industrial chemicals, metal products, pharmaceuticals, canned goods, and sundry articles.

Indonesia Trade: Indonesia lowered the export duty on rubber to 0.186 rupiahs per kilo. Price setbacks were reported in Indonesia on account of tight money situation there; however, cargo movements from here to Indonesia remained active.

Thailand Trade: Thailand lifted the import control on 20 items including salted vegetable and Chinese crude medicine, and permitted the re-export of foreign goods (with the exception of strategic materials) to Communist areas. Bangkok reduced the export duties on beans and rubber by 10%—15%. Export prices for rice remained unchanged. Following the conclusion of new trade pact with Japan, Thailand would probably suspend further imports of Japanese goods from here. Meanwhile Thailand continued to import from here cotton yarn, porcelainware, garlic, wheat flour, sewing machines, and metals. To the local market Thailand maintained shipments of her farm produce, particularly rice.

Indochina Trade: Saigon plans to purchase, with US-aid funds, \$3.65 million worth of textiles. Exports from here to Vietnam slowed down and there were indications that Vietnam might approach Japan for supplies. Shipments to Cambodia, however, remained brisk and nearly every Pnompenh-bound vessel was fully loaded with wheat flour, garlic, textiles, metals, and various HK manufactures.

Philippine Trade: Manila cut import duties on construction materials and started to allocate the 2nd quarter import foreign exchange. The HK-Philippine barter trade remained slow; sugar reached here in less quantity. Imports of mangoes, however, improved.

Burma Trade: Exports from here to Burma lacked improvement due to the development of direct trade between Burma and China. Burma's purchases here covered only selective items of sundry provisions, sundry articles, paints, knitted goods, and paper. On the other hand, there were more imports of Burmese rice.

Other Countries: Pakistan offered raw cotton to Japan; while Guam despatched a trade mission to Hongkong and Manila to improve trade relations.

China Produce: Japan provided strong and steady demand throughout the fortnight. Teaseed oil remained firm on short stock. Woodoil enjoyed strong demand from local factories and brisk exports to S.E. Asia; many big orders were closed at steady prices. Cassia lignea drew unabated buying interest from Europe, India, Africa, and Middle East. Dried chilli was favoured by Japan, India, and Singapore; prices advanced. Dried ginger registered exports to France; price gained on stock shortage. Rosin registered sales to Thailand and Vietnam as well as to local paint manufacturers. Groundnut kernel recorded new arrivals from China and the Philippines; a substantial quantity was transhipped to Canada. Citronella recovered slightly on improved demand, but the price in the international market remained bearish. Aniseed oil was inquired for by Europe but buying offers were low. Cassia oil remained steady under European purchases; peppermint oil improved on short stock; turpentine was enquired for by exporters; eucalyptus oil registered light sales to Europe. Sesame seed firmed up under continuous absorption by Japan; hemp seed was steady and hop seed registered local sales. Spun silk was steady with inquiries from Indonesia and Europe but raw silk turned bearish in anticipation of new arrivals. Aniseed star was bought by UK, France, Belgium and Japan but prices were barely steady. Bitter almond of Indian origin declined further under the weight of new supplies. Feathers went up in

cost but demand remained weak. Talcum and gypsum drew active buying support from S.E. Asia at firm prices; arsenic was purchased by India; and manganese ore was enquired for by Burma. Frozen egg was favoured by Europe, kapok was purchased by Singapore and bee wax by Japan. Coin fibre improved on better demand from Japan. Menthol crystal was depressed further by lower indent. Rice bran and wheat bran enjoyed active local demand at better prices. Green pea was most popular among beans in sales to Japan, India, and Macao; local demand was also active.

Metals: Exports were slow during the fortnight. There were only selective purchases by Vietnam, Cambodia, Korea, Japan, India, and Taiwan. Local sales were brisk. Black plate waste waste improved further on higher indent and keen demand from local factories; even forwards were transacted at higher prices. Galvanized iron sheet was brisk in local sales and the thicker varieties were particularly popular; demand from Vietnam was also strong. Galvanized iron wire registered sales to Cambodia; prices advanced on short supply. Galvanized iron wire shorts remained steady on short stock. Tin plate recorded voluminous sales to Korea and tin plate waste waste to local factories. Aluminium sheet improved on low stock and higher cost; brass sheet was too high to attract orders; zinc sheet was inquired for but buying offers were low. Mild steel plate was depressed by selling pressure; mild steel round bar dropped under the weight of heavy supply; mild steel angle bar was active in local sales at slightly improved prices, though export demand remained weak; mild steel joist, mild steel square bar and flat bar enjoyed better local business at improved price. Pig lead was favoured by India, but price failed to improve due to the lack of follow-up orders, although stock here was short. Brass and copper scraps were depressed by new supplies, while iron scraps advanced with more orders from Japan. Salvaged steel plate enjoyed demand from local factories but price was weighed down by heavy stock. Steel wire rope and steel window sash bar improved on advanced cost. Iron wire rod improved on better local and export demand. Black plate, galvanized iron pipe, baling hoop, and galvanized steel plate were depressed by heavy stocks.

Paper: There were more enquiries than orders from overseas. Furthermore, orders from Korea were mostly placed with paper importers here without going through the local market. Transparent cellulose paper was firm; business, however, was restricted by low buying offers. MG white sulphite improved on repeated enquiries from Indonesia. Newsprint-in-reel noted active enquiries from overseas but selling offers were few. MG ribbed kraft failed to improve on enquiries from Indonesia because buying offers

were low. Tissue paper recorded sales to Indonesia and Vietnam. Glassine was bought by Indonesia and local users. Art printing remained firm in local sales. Mechanical printing was enquired for by Vietnam but low stock curbed business. MG cap was moderately active in both local sales and exports; prices were steady. Manifold registered heavy turnovers; interest was centred on low-priced items. Straw board and duplex board were bearish under heavy stock and weak demand. Other items steady with local demand included aluminium foil, flint, bond, and poster.

Industrial Chemicals: Taiwan, Indonesia and Korea provided better buying support during the fortnight; prices of many popular items were stimulated. Linseed oil gained further on higher cost and acute shortage when demand from Taiwan and Korea continued. Rongalite C lump and sodium hyposulphite firmed up on keen enquiries from Indonesia. Soda ash was popular with Korea and Indonesia. Stearic acid, ammonium bicarbonate and zinc chloride were bought by Taiwan; prices improved on short stocks. Orders from Taiwan also covered carbon tetrachloride, formalin, oxalic acid, shellac and lactic acid; with the exception of shellac all registered improvements. Korea was also interested in ammonium chloride, acetic acid, boric acid, potassium carbonate, cresylic acid, sodium sulphate and sodium cyanide; Indonesia also purchased iron oxide and China bought citric acid. Chlorate of Potash and caustic soda registered sales to India. Copper sulphate was low in stock; gum copal was enquired for by Taiwan; while lead acetate and lithopone improved on advanced indents. Paraffin wax, sodium bicarbonate, sodium bichromate, tanning extract, cup grease, and bleaching powder were steady with local demand.

Pharmaceuticals: Market continued active with steady local business and orders from Taiwan, Korea, China, Thailand, and Indonesia. Price fluctuations were negligible. Exports concluded include aspirin powder, calcostelin, and lysol solution to Taiwan; sulfathiazole powder, penicillin preparations, and quinine ethylcarbonate

to Korea; caffeine alkaloid and sulfadiazine powder to China; amidopyrin and glucose powder to Thailand; saccharine crystal and saccharum lactose to Indonesia. Local sales in most of these items were brisk. Other items enjoyed steady local demand were aureomycin capsule, adhesive plaster, baritone, calcium lactate, cod liver oil capsule, dihydro-streptomycin, ephedrine hydrochloride, ferri ammonium citrate, phenacetin, potassium iodide, quinine sulphate, sanatogen, and vitamin preparations.

Cotton Yarn & Textile: Hongkong yarn was stimulated by higher cost; Indian yarn remained sluggish; Pakistan yarn declined further; Japanese yarn was steady but quiet; while Japanese staple fibre yarn was favoured by local users. The cotton textile market registered only purchases by local shirt manufacturers. Hongkong drills, however, were very popular with U.K.

Rice: The rice market was active and prices steady during the first week. It turned bearish when buyers became reserved while more supplies arrived from Thailand.

Sugar: Despite sluggish exports and more imports from Taiwan and Japan, prices were steady with strong local demand.

Wheat Flour: Heavy arrivals (50,000 bags) from Australia depressed the market. Canadian wheat flour

was, however, comparatively steady as stocks were not too heavy. Purchases by Burma and Vietnam totalled about 3,000 bags.

Cement: Competition between the Japanese cement and Chinese product remained keen. Chinese indents registered slight advances while Japanese offers were lowered.

Sundries: Demand from Indonesia and Vietnam kept the sundry provisions market active. Apricot kernel of Indian origin was briskly traded when supply from China remained scarce. Bamboo fungus advanced on short supply but bamboo shoot was depressed by new arrivals. Black fungus was active in export sales; black moss was favoured by Indonesia and firmed on low stock. Indonesia also bought ginkgo, lily bulb, and wheat. Others improved in prices were dried lily flower, salted vegetable, and olive seed. The sundry articles market was brisk. Sun glasses handkerchiefs, lighters, flint, boot polish, rayon hairnets, playing cards, thermos bottles, harmonicas, and forks and spoons registered steady demand from S.E. Asia.

Hongkong Products: Local spinning mills cut down their production of staple fibre yarn because exports to Korea showed no sign of recovery. Hongkong tailored suits enjoyed steady exports to U.S. A trade group left here for Japan to visit the International Trade Fair in Osaka; meanwhile, another trade mission to China was planned by local merchants.

PHILIPPINE EXPORTS OF ABACA

Compared with 1954, production of abaca in the Philippines during 1955 expanded by 7,000 tons to 105,000 tons. Exports however totalled 107,000 tons and with local consumption running at 5,000 tons (excluding ungraded fibre not included in the production figures above) a deficit of about 7,000 tons resulted. This was met from producers' or shippers' stocks. Exports in 1955 rose by over 12,000 tons. The rise was spread over all buying areas—North America, the United Kingdom, Continental Europe and Japan—with Japan accounting for the biggest share. Trading with North America showed particularly encouraging progress, all the more remarkable as United States spinners bought considerable quantities of Central American abaca, partly from stock. It was largely due to the stagnation of United States demand in 1954 that Philippine hemp had such a poor market that year. But despite the revival in American buying in 1955, the percentage distribution of Philippine exports did not change much from that of 1954:

	1955		1954	
	Th. Tons	%	Th. Tons	%
N. America ..	29.4	27.4	24.7	26.0
United Kingdom	15.1	14.1	13.5	14.3
Other W. Europe	25.3	23.6	22.1	23.4
Japan	31.7	29.6	27.5	29.0
Others	5.8	5.3	6.9	7.3
Total	107.3	100	94.7	100